



United States Department of State

*Bureau for International Narcotics and Law
Enforcement Affairs*

Money Laundering and Financial Crimes Country Database

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Money Laundering/Financial Crimes Countries

Every year, U.S. officials from agencies with anti-money laundering responsibilities meet to assess the money laundering situations in 200 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial institutions involving proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The *2011 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, highlights the most significant steps countries and jurisdictions categorized as "Major Money Laundering Countries" have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For each country where they have been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. When applicable, relevant country reports also provide links to the Department of State's "Country Reports on Terrorism" so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow those interested readers to find detailed information on the country's AML/CFT capacity and the effectiveness of its programs.

In addition, the report contains details of United States Government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2010, USG personnel leveraged their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring and support for supervisory, law enforcement, prosecutorial, customs and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time, will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering continues to be a serious global threat. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials and destabilization of their economies. The development of new technologies and the possibility of linkages between illegal activities that generate considerable proceeds and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal and intelligence communities. The continued development of AML/CFT regimes to deter criminal activity and detect illicit proceeds is reflected in this report again this year. Political stability, democracy and free markets depend on solvent, stable, and honest financial, commercial, and trade systems. The Department of State's Bureau of International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important work and strengthening capacities globally to combat money laundering and the funding of terrorists and terrorism.

Money Laundering and Financial Crimes

Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern

Afghanistan	Liechtenstein
Antigua and Barbuda	Luxembourg
Australia	Macau
Austria	Mexico
Bahamas	Netherlands
Belize	Nigeria
Bolivia	Pakistan
Brazil	Panama
British Virgin Islands	Paraguay
Burma	Philippines
Cambodia	Russia
Canada	Singapore
Cayman Islands	Somalia
China, People Rep	Spain
Colombia	Switzerland
Costa Rica	Taiwan
Cyprus	Thailand
Dominican Republic	Turkey
France	Ukraine
Germany	United Arab Emirates
Greece	United Kingdom
Guatemala	United States
Guernsey	Uruguay
Guinea-Bissau	Venezuela
Haiti	Zimbabwe
Hong Kong	
India	
Indonesia	
Iran	
Iraq	
Isle of Man	
Israel	
Italy	
Japan	
Jersey	
Kenya	
Latvia	
Lebanon	

Countries/Jurisdictions of Concern

Albania	Moldova
Algeria	Monaco
Angola	Montenegro
Argentina	Morocco
Aruba	Nicaragua
Azerbaijan	Palau
Bahrain	Peru
Bangladesh	Poland
Barbados	Portugal
Belarus	Qatar
Belgium	Romania
Bosnia and Herzegovina	Samoa
Bulgaria	Saudi Arabia
Chile	Senegal
Comoros	Serbia
Cook Islands	Seychelles
Cote d'Ivoire	Sierra Leone
Curacao	Slovakia
Czech Rep	South Africa
Ecuador	St. Kitts & Nevis
Egypt	St. Lucia
El Salvador	St. Maarten
Ghana	St. Vincent
Gibraltar	Suriname
Grenada	Syria
Guyana	Tanzania
Honduras	Trinidad and Tobago
Hungary	Turks and Caicos
Ireland	Vanuatu
Jamaica	Vietnam
Jordan	Yemen
Kazakhstan	
Korea, North	
Korea, South	
Kosovo	
Kuwait	
Laos	
Malaysia	

Other Countries/Jurisdictions Monitored

Andorra	Malawi
Anguilla	Maldives
Armenia	Mali
Benin	Malta
Bermuda	Marshall Islands
Botswana	Mauritania
Brunei	Mauritius
Burkina Faso	Micronesia FS
Burundi	Mongolia
Cameroon	Montserrat
Cape Verde	Mozambique
Central African Republic	Namibia
Chad	Nauru
Congo, DemRep of	Nepal
Congo, Rep of	New Zealand
Croatia	Niger
Cuba	Niue
Denmark	Norway
Djibouti	Oman
Dominica	Papua New Guinea
Equatorial Guinea	Rwanda
Eritrea	San Marino
Estonia	Sao Tome & Principe
Ethiopia	Slovenia
Fiji	Solomon Islands
Finland	Sri Lanka
Gabon	Sudan
Gambia	Swaziland
Georgia	Sweden
Guinea	Tajikistan
Iceland	Timor-Leste
Kyrgyz Republic	Togo
Lesotho	Tonga
Liberia	Tunisia
Libya	Turkmenistan
Lithuania	Uganda
Macedonia	Uzbekistan
Madagascar	Zambia

Introduction to Comparative Table

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2010, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that includes legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability.

Glossary of Terms

- 1. “Criminalized Drug Money Laundering”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to the drug trade.
- 2. “Criminalized Beyond Drugs”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to crimes other than the drug trade.
- 3. “Know Your Customer Provisions”: By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know Your Customer/Customer Due Diligence programs for their customers or clientele.
- 4. “Report Large Transactions”: By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities.
- 5. “Report Suspicious Transactions”: By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter “Y” signifies mandatory reporting; “P” signifies reporting is not required but rather is permissible or optional; “N” signifies no reporting regime.
- 6. “Maintain Records over Time”: By law or regulation, banks and/or other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- 7. “Disclosure Protection - ‘Safe Harbor’”: By law, the jurisdiction provides a “safe harbor” defense to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
- 8. “Criminalize ‘Tipping Off’”: By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.
- 9. “Financial Intelligence Unit”: The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk reflects those jurisdictions that are not members of the Egmont Group.
- 10. “Cross-Border Transportation of Currency”: By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction's borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.
- 11. “International Law Enforcement Cooperation”: Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request. No known legal impediments to cooperation exist in current law.

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- 12. “Mutual Legal Assistance”: By law or through treaty, the jurisdiction has agreed to provide and receive mutual legal assistance, including the sharing of records and data.
- 13. “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- 14. “Arrangements for Asset Sharing”: By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.
- 15. “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations as required by the UN International Convention for the Suppression of the Financing of Terrorism and UN Security Council Resolution 1373.
- 16. “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities to designated authorities.
- 17. “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 18. “States Party to the UN International Convention for the Suppression of the Financing of Terrorism”: States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 19. “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 20. “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 21. “US or International Sanctions/Penalties”: The US, another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommended counter-measures against the country/jurisdiction.

Comparative Table

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Andorra	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Angola	Y	Y	Y	N	Y	Y	Y	N	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	N
Anguilla ¹	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Antigua and Barbuda	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Aruba ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	N	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N

¹ The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Bailiwick of Jersey, Gibraltar, Montserrat, and Turks and Caicos. The International Convention for the Suppression of Terrorism Financing has been extended to Gibraltar, Guernsey, Isle of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Gibraltar, Guernsey, Isle of Man, and Jersey. The UNTOC has been extended to Gibraltar.

² The Netherlands extended its application of the 1988 UN Drug Convention and the International Convention for the Suppression of Terrorism Financing to Aruba and Curacao. The UNTOC has been extended to Aruba.

Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Bermuda ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	N	N	Y	Y	Y	Y	Y
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
British Virgin Islands ¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N
Brunei Darussalam	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	N	N	Y	Y	Y	N	Y
Burundi	Y	Y	Y	N	Y	Y	N	N	N	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Cambodia	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cape Verde	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Central African Republic		Y	Y	Y	Y	Y	N	Y	N	N	N	N	Y	N	Y	N	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	N	N	N	Y	Y	Y	N	Y
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	N	Y	Y	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Comoros	Y	Y	Y	Y	Y	N	N	N	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Congo, (Dem Republic)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N

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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Congo, Republic of	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y
Curacao ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cyprus ³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Denmark	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Djibouti	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Dominica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Equatorial Guinea	Y	Y	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	Y	Y	N	N
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	Y	N	N	N	N	N	Y	N	N	N	Y
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	U	Y	Y	Y	N	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N

³ Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	N	Y	N	Y	Y	N/A	N/A	N/A	N/A	N
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Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
France	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Gabon	Y	Y	Y	N	Y	Y	N	N	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	N
Gambia	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Germany	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N
Gibraltar ¹	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N
Greece	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N
Guatemala	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Guernsey ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Guinea	Y	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	Y	Y	N	N
Guinea-Bissau	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y	N	Y	N	N	N	Y
Guyana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	N	N	Y	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong ⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
India	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	N	N	N	N	N	N	N	Y	N	N	Y	Y
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	Y	Y	Y	N	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	N
Isle of Man ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N

⁴ The People's Republic of China extended the 1988 Drug Convention, the International Convention for the Suppression of Terrorism Financing, UNCAC and UNTOC to the Special Administrative Regions of Hong Kong and Macau.

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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Jersey ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	N	Y	N	N	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N
Korea (DPRK)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	Y
Korea, Republic of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	Y	Y	N	N	Y	N	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Laos	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Lebanon	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	N	Y	N	Y	Y	Y	N	Y	Y	N
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	N	Y	N	N	N	N	Y	N	N	N	N	N	Y	Y	Y	Y	Y
Libya	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macao ⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	N	Y	N	N	N	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N

Money Laundering and Financial Crimes

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - “Safe Harbor”	Criminalize “Tipping Off”	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Mali	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mauritius	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Micronesia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	Y	N	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Montserrat ¹	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Namibia	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	N	Y	Y	Y	N	N	Y	N	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	N	Y	N	Y	Y	N	Y	N	N	N
Nepal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	N	N	N	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Niger	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	N	N	Y	N	Y	Y	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	N	N	N	N	N	N	N	N
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	N	Y	N	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	N	N	N	N	Y	Y	Y	Y	Y	Y	N

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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	Mutual Legal Assistance	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	Y	Y	N	Y	N	N	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Papua New Guinea	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	N	Y	N	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
Samoa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Sao Tome & Principe	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	Y	Y	Y	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N
Senegal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
Seychelles	Y	Y	N	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	Y	N	Y	Y
Singapore	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Solomon Islands	Y	Y	N	N	Y	Y	Y	Y	Y	Y*	Y	N	Y	N	Y	Y	N	Y	N	N	N

Money Laundering and Financial Crimes

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Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N
St. Lucia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y
Suriname	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	N	N	Y	Y	N	N	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y
Tajikistan	Y	Y	Y	N	N	N	Y	N	Y	Y*	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Tanzania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Timor-Leste	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	Y	N
Togo	Y	Y	Y	Y	Y	N	N	N	Y	Y*	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y
Tonga	Y	Y	Y	Y	P	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	N	N	N
Trinidad & Tobago	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
Turks and Caicos ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Uganda	Y	N	Y	N	N	Y	N	N	N	N	Y	N	N	N	Y	N	Y	N	N	Y	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

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UAE	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
United States	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Vanuatu	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Vietnam	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	N	N	N	N	Y	N	Y	Y	N	N	N
Yemen	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Zambia	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Zimbabwe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y

All Money Laundering and Financial Crimes Countries/Jurisdictions

Afghanistan

Afghanistan's formal financial system is no longer rapidly expanding while traditional informal financial systems, particularly regional hawala networks, remain significant in reach and scale. Afghanistan currently is experiencing large gross outflows of currency. Annually, hundreds of millions of dollars are transported out of the country through a variety of means. Terrorist and insurgent financing, money laundering, cash smuggling, informal value transfer systems and other activities designed to finance organized criminal activity continue to pose a serious threat to the security and development of Afghanistan. Afghanistan remains a major drug trafficking and drug producing country. The illicit narcotics trade, corruption and contract fraud are major sources of laundered funds. Despite ongoing efforts by the international community to build the capacity of Afghan police and customs forces, Afghanistan is unable to consistently uncover and disrupt financial crimes because of limited resources, little expertise, and corruption and insufficient political will. Proposed reforms often conflict with legal, historical, and cultural factors.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: All crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Central Bank of Afghanistan (DAB), banks, money service providers, insurance companies, dealers in precious metals and stones, lawyers, accountants, securities dealers, and real estate agents

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions and money service businesses including informal funds transfer providers such as hawaladars.

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Number of STRs received and time frame: 598 from June 2006 to October 2010

Number of CTRs received and time frame: 1,744,169, from June 2006 to October 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. It is scheduled to undergo its first mutual evaluation late in 2010.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2010 Afghanistan became a member of the Egmont Group of Financial Intelligence Units. Money laundering and terrorist financing investigations in Afghanistan have been hampered by a lack of capacity, awareness, and political commitment, particularly involving prosecutors and the courts. Corruption permeates all levels of Afghan government and society and has a direct impact on the lack of financial crimes enforcement. Afghanistan ranked 176 out of 178 countries surveyed in Transparency International's 2010 Corruption Perception Index.

Border security continues to be a major issue throughout Afghanistan. In 2008 there were 14 official border crossings that came under central government control, utilizing international assistance as well as local and international forces. However, many of the border areas are under-policed or not policed at all. These areas are particularly susceptible to illicit cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Furthermore, officials estimate there are over 1,000 unofficial border crossings along Afghanistan's porous borders. Customs authorities, with the help of outside assistance, have made improvements, but much work remains to be done.

It is estimated that five percent or less of the Afghan population uses banks. Afghanistan is widely served by the traditional and deeply entrenched hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. It is estimated between 80 percent and 90 percent of all financial transfers in Afghanistan are made through hawala. Financial activities include foreign exchange transactions, funds transfers (particularly to and from neighboring countries such as the UAE, Iran and Pakistan with weak regulatory regimes for informal remittance systems), micro and trade finance, as well as some deposit-taking activities. Although the hawala system and formal financial sector are distinct, the two systems have links. Hawala dealers often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad, while banks will occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. There are approximately 250 known hawala dealers in Kabul, and approximately 1,500 dealers that vary in size and reach spread throughout Afghanistan's 34 provinces. Given how widely used the hawala system is in Afghanistan, it undoubtedly is involved, intentionally or inadvertently, in financial crimes; however, only a few STRs have been submitted by money service providers (MSPs), including licensed hawaladars. This needs to be addressed immediately, while continuing to license the remaining 50 percent - 60 percent of MSPs still operating outside the formal sector.

Money Laundering and Financial Crimes

The Afghan government has no formal extradition or mutual legal assistance arrangements with the United States. In the absence of a formal bilateral agreement between Afghanistan and the United States, requests for extradition and mutual legal assistance have been processed on an ad hoc basis, largely with the assistance of the Afghan Attorney General's Office. The 2005 Afghan Counter Narcotics law, however, allows the extradition of drug offenders under the 1988 UN Drug Convention.

Albania

Albania is not considered an important regional financial or offshore center. As a transit country for trafficking in narcotics, arms, contraband, and humans, Albania remains at significant risk for money laundering. The major sources of criminal proceeds in the country are trafficking offenses, official corruption and fraud. Corruption and organized crime are likely the most significant sources of money laundering, but the exact extent to which these various illegal activities contribute to overall crime proceeds and money laundering is unknown.

Criminals frequently invest tainted money in real estate and business development projects. Albania has a significant black market for certain smuggled goods, mainly tobacco, jewelry, and mobile phones because of its high level of consumer imports and weak customs controls. Organized crime groups use Albania as a base of operations for conducting criminal activities in other countries and often return their illicit gains to Albania. The proceeds from these activities are easily laundered in Albania because it is still fundamentally a cash economy and money flows from abroad in the form of remittances are common.

The Albanian cash-based economy is particularly vulnerable to money laundering activity. According to the Bank of Albania, the Central Bank, about 20 percent of the money in circulation is outside of the banking system. However, the use of cash cards and Point of Sales Terminals (POS) is growing. In October 2009 there were 670,000 cash and debit cards and 4,800 POS. The monthly transaction totals of these cards have reached \$100 million, or about 1.4% of the retail bank deposits. Despite the expansion of the banking sector, a significant portion of remittances enters the country through unofficial channels. It is estimated that only half of total remittances enter Albania through banks or money transfer companies. The Bank of Albania estimated that in 2009 remittances comprised nearly nine percent of Albania's annual gross domestic product (GDP). Similarly, the Government of Albania (GOA) estimated that proceeds from the informal sector account for approximately 30-60 percent of Albania's GDP.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, life insurance companies, money exchangers, accountants, notaries, lawyers, gaming centers, casinos, auto dealers, postal services, securities dealers, real estate agents and travel agencies

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: commercial banks; non-banking financial institutions; foreign exchange offices; savings and credit companies and their unions; postal services that perform payment services; every person who issues or manages debit and credit cards, checks, traveller's checks, payment orders, electronic money or other similar instruments; stock markets, agents, and brokers; life insurance or re-insurance companies, their agents or intermediaries; pension funds; the State Authority Responsible for the Administration and Sale of Public Property; games of chance, casinos and hippodromes of any form; lawyers, notaries and other legal representatives; real estate agents and appraisers; accountants, and financial consultants; and the Agency of Legalisation, Urbanisation and the Integration of Informal Constructions/Zones

Number of STRs received and time frame: 146 January - November 2010

Number of CTRs received and time frame: 821,696 January - November 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 from January to October 2010

Convictions: 0

Assets forfeited: *criminally:* \$0 in 2010 *civilly:* \$160,000 January to December 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Albania is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Albania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Some Albanian courts require a conviction for the predicate offense before issuing an indictment for money laundering. Currently, no law criminalizes negligence by financial institutions in money laundering cases.

Albania places suspicious transaction reporting (STR) requirements on both financial institutions and individuals. Individuals and entities reporting transactions are protected by law if they cooperate with and provide financial information to the financial intelligence unit (FIU) and law enforcement agencies. Reportedly, however, leaks of financial disclosure information from other agencies compromise the entities' client confidentiality.

It is the responsibility of the licensing authority to supervise intermediaries for compliance. Although regulations also cover nonbank financial institutions, enforcement remains poor in practice. The Bank of Albania has established a task force to confirm banks' compliance with customer verification rules. While

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the Albanians have established a registry, there is no legislation providing for supervision of the non-profit sector.

Individuals must report to customs authorities all cross-border transactions that exceed approximately U.S. \$10,000. Albania provides declaration forms at border crossing points, and the law does not distinguish between an Albanian and a foreign visitor. However, customs controls on cross-border transactions lack effectiveness due to a lack of resources, poor training and, reportedly, corruption of customs officials.

In an effort to increase corruption and money laundering prosecutions, in May 2007, Albania established the Joint Investigative Unit to Fight Economic Crime and Corruption (JIU) in the Tirana District Prosecution Office. This unit focuses efforts and builds expertise in the investigation and prosecution of financial crimes and corruption cases by bringing together members of the General Prosecutors Office, the Albanian State Police Financial Crimes Sector, the Ministry of Finance's Customs Service and Tax Police, and the National Intelligence Service. The JIU also has liaisons for cooperation from the FIU, High State Audit, and the High Inspectorate for the Declaration and Audit of Assets. The JIU prosecutes money laundering cases within the District of Tirana. Six additional regional JIUs were established and began operation in the fall of 2009. These units have jurisdiction over corruption, money laundering, and other types of economic crime.

In 2010, Albania had its first conviction in a terror finance case against the administrator of designated terrorist financier Yassin Al-Kadi on charges of hiding funds used to finance terrorism.

Although there are continuing initiatives to improve Albania's capacity to deal with financial crimes and money laundering, the lack of positive results and apparent inability to adequately address the deficiencies in the programs continue to hamper progress. Albania should ensure that those charged with pursuing financial crime increase their technical knowledge to include modern financial investigation techniques. Albania should provide its police force with a central database. Investigators and prosecutors should implement case management techniques, and prosecutors and judges need to become more conversant with the nuances of money laundering. Albania should clarify the law to make clear that conviction for the predicate offense is not a prerequisite for a conviction for money laundering. The Government of Albania should also improve the enforcement and enlarge the scope of its asset seizure and forfeiture regime, including fully funding and supporting the Agency for the Administration of the Sequestration and Confiscation of Assets. Albania should also incorporate into anti-money laundering legislation specific provisions regarding negligent money laundering, comprehensive customer identification procedures, and the adequate oversight of money remitters and charities. Albania should enact the draft laws on terrorist financing and money-laundering.

Algeria

The extent of money laundering through formal financial institutions in Algeria is thought to be minimal due to stringent exchange control regulations and an antiquated banking sector. The partial convertibility of the Algerian dinar enables the Banque Nationale Algerienne (Algeria's central bank) to monitor all international financial operations carried out by public and private banking institutions. Notable criminal activity includes trafficking, particularly of drugs and cigarettes, but also arms; kidnapping; theft; trafficking in stolen vehicles; extortion; and embezzlement. Public corruption remains a major concern as does terrorism. Algerian authorities are increasingly concerned with cases of customs fraud and trade-based money laundering. Other risk areas for financial crimes include unregulated alternative remittance and currency exchange systems; tax evasion; abuse of real estate transactions; commercial invoice fraud; and a cash-based economy. Most money laundering is believed to occur primarily outside the formal financial system, given the large percentage of financial transactions occurring in the informal gray and

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black economies. Al-Qaida in the Islamic Maghreb (AQIM), which originated in Algeria, has a history of terrorist activities in Algiers and elsewhere in the country, including suicide attacks, kidnappings for ransom, roadside bomb attacks, and assassinations.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, financial leasing institutions, investment and shareholding companies

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, financial leasing institutions, investment and shareholding companies, the post office, insurance companies, gaming establishments, investment houses, exchange offices, attorneys and notaries, accountants, real estate agents, customs agents, public officers (translators, judicial officers, auctioneers, receivers) and dealers of gems, precious metals, antiques and artwork

Number of STRs received and time frame: 260 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2009

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Algeria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation is not yet available online, but will be posted here: <http://www.menafatf.org/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Algeria has taken many steps to enhance its statutory regime against money laundering and terrorist financing. It needs to move forward to implement those laws and eliminate bureaucratic barriers among various government agencies. However, deficiencies remain that must be addressed, particularly in the coverage of know-your-customer and compliance programs. The Algerian authorities should promote interagency cooperation between all stake holders. The Algerian Financial Intelligence Processing Cell, (CTRF) - the financial intelligence unit - should be the focal point for receiving and analyzing reports, and information exchange of suspicious transactions related to anti-money laundering/counter-terrorist financing activity (AML/CFT). This would require the CTRF to develop in-house analytical and information technology capabilities. The CTRF should continue outreach to the formal and informal financial sectors and continue efforts to adhere to international standards. In addition, given the scope of Algeria's informal economy, new efforts should be made to identify value transfer mechanisms not covered in Algeria's anti-money laundering/counter-terrorist finance (AML/CFT) legal and regulatory framework. Algerian law enforcement and customs authorities should enhance their ability to investigate trade-based money laundering, value transfer, and bulk cash smuggling used for financing terrorism and other illicit financial activities.

Andorra

Andorra has a well developed financial infrastructure. In 2009, the Organization for Economic Co-operation and Development designated and subsequently delisted Andorra as a tax haven due to its low or nonexistent taxes, and maintains that Andorra still needs to make its banking system more transparent.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and non-bank credit institutions; fund and asset management firms; money exchanges and remitters; life insurance companies; financial intermediaries and advisors; trust and company service providers; dealers in precious metals and stones and high-value goods; bingo establishments; real estate agents; lawyers, accountants, notaries and auditors

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and non-bank credit institutions; fund and asset management firms; money exchanges and remitters; life insurance companies; financial intermediaries and advisors; trust and company service providers; dealers in precious metals and stones and high-value goods; bingo establishments; real estate agents; lawyers, accountants, notaries and auditors

Number of STRs received and time frame: 84 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12 in 2010

Convictions: Six in 2010

Assets forfeited: criminally: \$40,340,983 in 2010 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Andorra is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Andorra_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Andorra's legal and financial systems are increasingly transparent. The INAF (*Institut Nacional Andorrà de Finances*) is an independent monitoring body, responsible for overseeing and supervising the financial system, management of public debt, carrying out field inspections, and taking disciplinary action.

Andorra should continue to improve its anti-money laundering and counter-terrorist financing countermeasures. The Government of Andorra should become a party to the UN Conventions against Corruption and Transnational Organized Crime.

Angola

Angola is not a regional financial center and has not prosecuted any cases of money laundering. It does not produce significant quantities of drugs although it continues to be a transit point for drug trafficking, particularly from drugs brought in from Brazil and South America destined for Europe. Angola's borders are porous and vulnerable to movements of small arms, diamonds, human trafficking and general smuggling. Angola has a high rate of U.S. dollar cash flow. The laundering of funds derived from widespread corruption is a concern. A law criminalizing money laundering was passed in 2010, and is still being implemented. Angola's capacity to investigate financial crimes is limited.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Credit institutions, financial groups, insurers, pension fund management groups, stock markets, casinos, currency exchange agencies, services for the issuance and management of paychecks, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors and other independent professionals

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Credit institutions, financial groups, insurers, pension fund management groups, stock markets, casinos, currency exchange agencies, services for the issuance and management of paychecks, individual and collective estate management groups headquartered in Angola, accountants, auditors, notaries, registrars, attorneys, solicitors and other independent professionals

Number of STRs received and time frame: None

Number of CTRs received and time frame: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: criminally: None civilly: None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Angola is not a member of a Financial Action Task Force-style regional body (FSRB). Angola is an observer of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FSRB.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In February 2010, the Financial Action Task Force (FATF) International Cooperation Review Group (ICRG) publicly identified Angola as a country which had significant deficiencies in its anti-money laundering/counter-terrorist financing (AML/CFT) regime. Angola put together an Action Plan and made a high-level political commitment to address these deficiencies.

Since that time, Angola has made significant progress in improving its AML/CFT regime. In June, it enacted Law 12/10 which criminalizes money laundering and terrorist financing. Angola also ratified the UN Convention on Transnational Organized Crime and the UN Convention for the Suppression of the Financing of Terrorism, though the latter is still awaiting publication in the official register. The Angolan Central Bank, which has primary responsibility for money laundering issues, has prepared an implementation plan for the new law.

In January 2011, the Council of Ministers is expected to approve a Presidential Decree establishing Angola's financial intelligence unit (FIU) and clarifying and expanding on matters addressed in the June AML/CFT law. The Decree is expected to bring Angola's regime further into line with international

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AML/CFT standards. While recognizing the challenges posed in recruiting and training staff and creating and integrating the necessary software systems for the FIU, the Central Bank aims to have it fully operational by mid-2012.

Corruption permeates Angolan business, government, and most sectors of society. Angola is rated 168 out of 178 countries surveyed in Transparency International's International Corruption Perception Index. The Angolan definition of politically exposed persons (PEPs) covers only domestic PEPs residing outside the country.

Anguilla

Anguilla is a United Kingdom (UK) overseas territory with a population of approximately 12,900. There are very few offenses committed on the island by the local populace that generate substantial monies or profits from crime. The economy depends greatly on its growing offshore financial sector and tourism. The financial sector is small in comparison to other jurisdictions in the Caribbean, but the ability to register companies online and the use of bearer shares make Anguilla vulnerable to money laundering. The biggest perceived money laundering threat in the coming years will continue to come from abuses of the offshore industry in relation to mutual funds, trusts, and international business companies (IBCs). The Proceeds of Crime Act 2009 along with its attendant Code and Regulations make company service providers and others more accountable.

Anguilla uses the East Caribbean dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). Seven other island economies are also members of the ECCB: Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia, and St Vincent and the Grenadines. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combined approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in precious metals and stones and high-value goods, lawyers, accountants, notaries, and real estate agents

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Money Laundering and Financial Crimes

Covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in precious metals and stones and high-value goods, lawyers, accountants, notaries, and real estate agents

Number of STRs received and time frame: 26 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2010

Convictions: 0

Assets forfeited: **criminally:** Not available **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Anguilla is a member of the Caribbean Financial Action Task Force (CFATF), a FATF style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Anguilla_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Anguilla_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Anguilla continues to make progress in enforcement and implementation. The 2009 Proceeds of Crime Act included extending the prohibition of anonymous accounts to include numbered accounts. However, Anguilla continues to target the world of offshore financial business, offering favorable business and tax structures and company formation. The same things that make the country attractive to legitimate and high value international customers with legitimate requirements for offshore structures also make it attractive to money launderers attempting to layer monies through systems that allow some degree of anonymity. IBCs can be incorporated by company service providers in Anguilla without the requirement to publicly register shareholders or directors. Once incorporated, an IBC is capable of holding assets and operating bank accounts, both on Anguilla and in other jurisdictions. There have been cases where IBCs were used as “flow through” accounts, facilitating the mingling of monies, confusing money trails and generally assisting the layering process in money laundering; there has only been one instance where the money from suspected IBC abuse has remained in Anguilla. IBC abuse is responsible for 33% of all suspicious activity reports (17 of 51) since 2008. Analysis shows the majority of IBC abuse is related to fraud in one form or another.

While Anguilla’s present currency declaration system went into place in 2009, it has remaining deficiencies and ambiguities that need to be clarified and/or corrected.

The Criminal Justice (International Co-operation) (Anguilla) Act, 2000 enables Anguilla to directly cooperate with other jurisdictions through mutual legal assistance. The US/UK mutual legal assistance treaty concerning the Cayman Islands was extended to Anguilla in November 1990. Anguilla is also subject to the U.S. /UK Extradition Treaty.

Anguilla is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Anguilla’s international affairs and may arrange for the ratification of any convention to be extended to Anguilla. The 1988 Drug Convention was extended to Anguilla in 1995. The UN Convention against Corruption, the International Convention for

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the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime (UNTOC) have not yet been extended to Anguilla.

Antigua and Barbuda

Antigua and Barbuda is a significant offshore center that despite recent improvements remains susceptible to money laundering due to its offshore financial sector and Internet gaming industry. Illicit proceeds from the transshipment of narcotics and from financial crimes occurring in the U.S. also are laundered in Antigua and Barbuda.

Antigua and Barbuda uses the East Caribbean (EC) dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). Seven other island economies are also members of the ECCB: Anguilla, Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia, and St Vincent and the Grenadines. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

As of 2010, Antigua and Barbuda has 15 international banks, one international trust, three offshore insurance companies, 3,497 international business corporations (IBCs), ten interactive gaming companies, six interactive wagering companies, eight money services businesses, and 25 corporate management and trust services providers. In addition, there are five casinos. Bearer shares are permitted for international companies but the names and addresses of directors (who must be naturalized persons), the activities the corporation intends to conduct, the names of shareholders, and the numbers of shares they will hold are required to be disclosed. Registered agents or service providers are required by law to know the names of beneficial owners. All licensed institutions are required to have a physical presence, which means presence of at least a full-time senior officer and availability of all files and records. Shell companies are not permitted. Internet gaming companies are required to incorporate as IBCs, to report all payouts over \$25,000 to Antigua and Barbuda's Office of National Drug and Money Laundering Control Policy (ONDCP), and to have a physical presence, meaning the primary servers and the key person are resident in Antigua and Barbuda.

A nominal free trade zone in the country seeks to attract investment in areas deemed as priority by the government. Casinos and sports book-wagering operations in Antigua and Barbuda's free trade zone are supervised by the ONDCP, and the Directorate of Offshore Gaming. Internet gaming companies are required to submit quarterly and annual audited financial statements and maintain records relating to all gaming and financial transactions of each customer for six years.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

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KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, and money exchangers; notaries; domestic and Internet gaming centers; real estate and travel agents; company service providers; lawyers; accountants; dealers in autos, precious metals and stones, and other high-value goods; insurance brokers; and securities dealers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, agricultural credit institutions, and money exchangers; notaries; domestic and Internet gaming centers; real estate and travel agents; company service providers; lawyers; accountants; dealers in autos, precious metals and stones, and other high-value goods; insurance brokers; and securities dealers

Number of STRs received and time frame: 145, January to December 2010

Number of CTRs received and time frame: No information available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2009

Convictions: None

Assets forfeited: criminally: \$23,000 (In addition, \$1, 379,120 was confiscated on behalf of US authorities.) **civilly:** None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Antigua_and_Barbuda_3rd_Round_MER_Final\(Eng\).pdf](http://www.cfatf-gafic.org/downloadables/mer/Antigua_and_Barbuda_3rd_Round_MER_Final(Eng).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During the year, the Prevention of Terrorism (Amendment) Act was passed, making further explicit provisions for the de-listing of specified entities; however, deficiencies remain.

The Government of Antigua and Barbuda (GOAB) does not have a unified regulatory structure or uniform supervisory practices for its domestic and offshore banking sectors. Currently, the ECCB supervises Antigua and Barbuda's domestic banking sector. The Registrar of Insurance supervises and examines domestic insurance agencies. The Financial Services Regulatory Commission is responsible for the regulation and supervision of all IBCs, including offshore banks and all aspects of offshore gaming; this includes conducting examinations and reviews of offshore financial institutions as well as some domestic financial entities, such as insurance companies and trusts. The director of the ONDCP supervises all financial institutions for compliance with suspicious transaction reporting requirements. Only gaming institutions are required to file large currency transaction reports.

The GOAB has taken steps to combat money laundering by passing relevant legislation that applies to both domestic and offshore financial institutions, and establishing a thorough regulatory regime. The GOAB should implement and enforce all provisions of its AML/CFT legislation. The ONDCP should be given direct access to financial institution records in order to effectively assess their AML/CFT

compliance. Antigua and Barbuda has yet to prosecute a money laundering case and there are few arrests or prosecutions. More comprehensive investigations could lead to higher numbers of arrests, prosecutions, and convictions. Continued efforts should be made to enhance the capacity of law enforcement and customs authorities to recognize money laundering typologies that fall outside the formal financial sector. Continued international cooperation, particularly with regard to the timely sharing of statistics and information related to offshore institutions, and enforcement of foreign civil asset forfeiture orders will likewise enhance Antigua and Barbuda's ability to combat money laundering.

Argentina

Argentina is not a significant regional financial center. Money laundering related to narcotics trafficking, corruption, contraband, and tax evasion is believed to occur throughout the financial system. It is believed that most money laundering operations in Argentina are conducted through transactions involving specific offshore centers. The most common money laundering operations in the non-financial sector involve transactions made through attorneys, accountants, and corporate structures. The widespread use of cash may also leave Argentina vulnerable to money laundering. Tax evasion is the predicate crime in the majority of Argentine money laundering investigations.

Argentina has a long history of capital flight and tax evasion, and Argentines hold billions of dollars outside the formal financial system (both offshore and in-country), much of it legitimately earned money that was not taxed. There is also a risk of terrorist financing;

Argentina was subject to two major terrorist attacks in the early 1990's. Despite these money laundering/terrorist financing (ML/TF) risks, there were only four ongoing prosecutions and no convictions for ML.

Although Argentina has traditionally been a transit country for drugs from Bolivia, Peru, and Colombia to Europe and the United States, it is also a source country for precursor chemicals. Domestic drug consumption and production have increased, especially of a cheap substance known locally as PACO (made from the by-products of cocaine). Argentine officials have also identified smuggling, corruption and different types of fraud as major sources of illegal proceeds. The number of corruption investigations has been increasing steadily since 2002, with 7,033 in the first half of 2009, although only 12 cases were presented for public prosecution during that time.

In addition to tax evasion and drugs, a substantial portion of illicit revenue comes from black market peso exchanges or informal value transfers. Unregistered importers, for example, may use entities that move US currency in bulk to neighboring countries where it is deposited and wired to US accounts or wired from Argentina to offshore destinations. Products from the US are often smuggled into Argentina or the manifests are changed to disguise the importer and merchandise. The tri-border area (Argentina, Paraguay and Brazil) is considered a major source of smuggling, especially of pirated products. Through the Three Plus One Initiative Argentine authorities cooperate with Brazil and Paraguay as well as with the United States to address security issues in this region.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO

civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers and intermediaries, insurance companies and brokers, postal money transmitters, accountants, notaries public, and dealers in art, antiques and other high-value goods

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers and intermediaries, insurance companies, postal money transmitters, accountants, notaries public, and dealers in art, antiques and other high-value goods

Number of STRs received and time frame: 879 from January to June 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four (ongoing)

Convictions: 0

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Argentina is a member of the Financial Action Task Force (FATF) and the FATF on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/3/60/46695047.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The basis of Argentina's anti-money laundering/countering the financing of terrorism (AML/CFT) system is Law 25 246 which criminalizes money laundering. There are a number of deficiencies in the legislation, including an insufficient asset forfeiture regime and the lack of coverage of self laundering and legal persons. Additionally, although tipping off is criminalized, the provision is weak and does not effectively prevent the practice. Challenges remain in closing legal and regulatory loopholes and improving interagency cooperation. The Financial Information Unit, Azerbaijan's financial intelligence unit (FIU), is legally limited to processing cases involving a limited number of predicate offenses pertaining to only certain money laundering activities.

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The legal financial preventive measures in Argentina are basic and limited to general provisions relating to customer identification, record keeping and suspicious transaction reporting (STR) requirements. There are a number of important deficiencies that apply to all sectors, such as the lack of adequate requirements for beneficial ownership, politically exposed persons, correspondent banking, and reliance on third parties. Secrecy provisions also inhibit effective compliance with international standards. Furthermore, cooperatives, mutual associations, stock exchange market, lawyers, real estate agents and dealers in precious stones and metals are not satisfactorily included in the AML/CFT Law. Argentina's STR reporting obligations only cover a small range of predicate offenses, the TF-related transaction reporting obligation is only implicit, and the low quality of STRs does not allow the FIU to conduct adequate analyses to generate successful prosecutions.

In 2009, FinCEN, the United States' FIU, suspended information sharing with the Argentine FIU after information given to the FIU was leaked to the local press. The Argentine FIU and government are working to reestablish the exchange of data.

Because of Argentina's poor compliance with international standards in its most recent mutual evaluation, the FATF gave the Government of Argentina (GOA) 100 days to devise a credible action plan to reform its AML/CFT system or face heightened scrutiny and potentially be the subject of public warnings about the potential risk of conducting transactions with the country's financial institutions.

In December 2010, the Argentine government passed Decree 1936 which assigns to Argentina's FIU a national AML/CFT coordination role. The decree also appoints the FIU as the only entity within the GOA with legal authority to issue regulations implementing Argentina's AML/CFT law.

Armenia

Armenia is not a regional financial center and is not believed to be at major risk for money laundering and terrorist financing. However, governmental corruption, an organized crime presence and a large shadow economy make the country vulnerable. The major sources of laundered proceeds stem from tax evasion and fraudulent financial activity, particularly transactions with forged credit cards. Money laundering in Armenia generally takes place through the banking system, through informal remittances from Armenians living abroad, and through high-value transactions such as real estate purchases.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; exchange houses; real estate agents; notaries, lawyers, accountants, and auditors; dealers in precious metals and stones, and artworks organizers of auctions casinos, prize games, and lotteries; trust and company service providers; State Cadaster, and the State Registry

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; exchange houses; real estate agents; notaries, lawyers, accountants, and auditors; dealers in precious metals and stones, and artworks organizers of auctions casinos, prize games, and lotteries; trust and company service providers; State Cadaster, and the State Registry

Number of STRs received and time frame: 420 in 2010

Number of CTRs received and time frame: 132,249 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine in 2010

Convictions: Two in 2010

Assets forfeited: *criminally:* \$1,433,194 in 2010 *civilly:* 0 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Armenia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Moldova_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2009, Armenia achieved its first successful money laundering prosecutions, as courts convicted four defendants in three cases. Money laundering prosecutions have continued in 2010. There have been no known cases of terrorist financing in Armenia. Armenia should prohibit bearer bank books, certificates of deposit and other bearer securities, and should criminalize tipping off. Armenia has prepared a package of legislative amendments to 17 laws to correct several deficiencies regarding its money laundering and terrorist financing offenses and customer due diligence procedures.

Aruba

Aruba is not considered a regional financial center but has sought to diversify its economy by developing offshore activities through the limited licensing of offshore banks and companies. These offshore vehicles pose risks for misuse by money launderers and tax evaders. Because of its location, Aruba is a transshipment point for drugs from South America bound for the United States and Europe and the transshipment of currency in the reverse direction. Money laundering is primarily related to proceeds from illegal narcotics. Other sources of illicit proceeds include revenue from tax offenses, public corruption and the offshore financial sector. Bulk cash smuggling is a continuing problem due to the close proximity of Aruba to South America.

Aruba has three free economic zones. It is believed “contrabanding” (using smuggled bulk cash to buy products which are shipped to South America and sold) could be a problem. There are at least eleven

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casinos, and online gaming is allowed. Bearer shares are permitted, but legislation is being considered to both ban future issuance and phase out existing shares.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, life insurance companies, money transfer companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors and high-worth dealers in art, antiques, vehicles, aircraft and ships

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, life insurance companies, money transfer companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors and high-worth dealers in art, antiques, vehicles, aircraft and ships

Number of STRs received and time frame: 4,931 from January – November 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Aruba is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Aruba continues to work on the improvement of its AML/CFT framework. It should be noted that Aruba's efforts are coordinated by the AML/CFT Strategy Group, chaired by the Prime Minister, which

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has met regularly and ensures a high level political commitment. Various important legislative changes have been introduced, such as the independent criminalization of terrorist financing, the introduction of an asset freezing regime, and the designation of the Central Bank of Aruba (CBA) as the sole supervisory authority for AML/CFT matters. On March 5, 2010, Aruba modified the Criminal Code of Aruba to include an article criminalizing terrorist financing as a separate and independent offense. Also, based on the Sanctions State Decree to Combat Terrorism and Terrorist Financing, which entered into force on June 25, 2010, Aruba is able to freeze terrorist assets in a timely manner. In addition, authorities are working on a new and comprehensive state ordinance on the application of customer due diligence and the reporting of unusual transactions by financial institutions and designated non-financial businesses and professions. The CBA has created a separate Integrity Unit with additional staff that will focus specifically on AML/CFT-related issues, while the financial intelligence unit (FIU) has hired additional staff. Furthermore, the Public Prosecutor's Office now has more prosecutors available to properly carry out its tasks.

Banks or other financial institutions regulated by the CBA, except for trust company service providers, are allowed to issue bearer shares. However, all persons or entities holding 5% or more of the issued shares or voting rights must obtain prior written approval from the CBA for such shareholding. Thus, all persons or entities with such holdings are identified and subject to the fit and proper criteria laid down in the supervisory laws. Legislation has been drafted to ban the issuance of new bearer shares while phasing out existing bearer shares over a fixed period of time. This new legislation is expected to be enacted in 2011.

With regard to the non-profit sector, a quick scan of this sector was performed in 2010 to determine the sector's size, the type of non-profit organizations present, and the scope of their activities, in order to assess the measures necessary to properly regulate the sector.

Aruba's money laundering laws do not cover proceeds generated from counterfeiting and piracy of products, insider trading and market manipulation, many types of environmental crimes, or fraud. Aruba does not have a suspicious transactions reporting system, but a broader unusual transactions reporting (UTR) system.

Pursuant to a change in the relevant legislation, as of July 1, 2010, travelers carrying checks, gift cards, and other goods worth more than \$11,000, that could be converted easily to cash, are obliged to declare their possession at Customs. Credit and debit cards are exempted from the new legislation.

The Kingdom of the Netherlands, of which Aruba is an autonomous constituent part, extended the application to Aruba of the 1988 UN Drug Convention in 1999; the UN International Convention for the Suppression of the Financing of Terrorism in 2005; and the UN Convention against Transnational Organized Crime in 2007. The Kingdom has not yet extended the application of the UN Convention against Corruption to Aruba.

Australia

Australia is one of the major centers for capital markets in the Asia-Pacific region. While narcotics offenses provide a substantial source of proceeds of crime, the majority of illegal proceeds are derived from fraud-related offenses. The Government of Australia (GOA) maintains a comprehensive system to detect, prevent, and prosecute money laundering. The last few years have seen a noticeable increase in activities investigated by Australian law enforcement agencies that relate directly to offenses committed overseas. Australia's system has evolved over time to address new money laundering and terrorist financing risks identified through continuous consultation between government agencies and the private sector.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters, including electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part from currency on behalf of other persons; currency couriers

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters, including electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part from currency on behalf of other persons; currency couriers

Number of STRs received and time frame: 47,386 - 2009-2010

Number of CTRs received and time frame: 3,375,447 - 2009-2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 88 indictments - July 2009 - June 2010

Convictions: 50 in 2009 – 2010

Assets forfeited: criminally: \$7,691,800 ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Australia is a member of the Financial Action Task Force (FATF). It also serves as permanent co-chair, and hosts and funds the Secretariat of the Asia/Pacific Group on Money Laundering (APG), a FATF-style

regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/60/33/35528955.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The formal and informal money remittance sector is vulnerable to the risk of being exploited for criminal purposes. Additionally, the majority of designated non-financial businesses and professions (DNFBPs), such as real estate agents, dealers in precious stones and metals, and specified legal, accounting, trust, and company service providers are not yet covered by reporting and record keeping requirements of Australia's AML/CFT laws, nor are politically exposed persons subject to enhanced due diligence procedures. This lack of coverage leads to increased vulnerabilities in these entities. Australia should amend its legislation, as necessary, to cover all DNFBPs.

In comparison to the size of the Australian economy and the comprehensive anti-money laundering countermeasures in place, the number of convictions for money laundering remains very low.

Austria

Austria is a major regional financial center and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from serious fraud, smuggling, corruption, narcotics-trafficking, and trafficking in persons. Theft, drug trafficking and fraud are the main predicate crimes in Austria according to the statistics of convictions and investigations. Austria is not an offshore jurisdiction and has no free trade zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, and auditors

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

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Covered entities: Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, auditors, and customs officials

Number of STRs received and time frame: 1,385 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 289 in 2009

Convictions: Five in 2009

Assets forfeited: ***criminally:*** Not available ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Austria is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/22/50/44146250.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Numerous legal amendments to bring Austria's AML/CFT regime more in line with FATF standards were adopted by Parliament on May 20, 2010, and entered into force July 1, 2010. Those amendments strengthen regulatory standards, give more power and responsibility to bank compliance officers and regulators (in particular Austria's FIU), and make asset seizure easier in AML/CFT cases. New paragraph 165 of the Austrian Penal Code extends the scope of money laundering offenses to "self-laundering" of illicit proceeds. Austria has a combination of both an "all serious crimes" approach plus a list of predicate offenses which do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and FATF standards.

Since July 1, 2010, asset freezes pursuant to UN and European Union (EU) sanctions are based on Austria's new Sanctions Law (previously, the Foreign Exchange Act). The new Sanctions Law significantly expands and improves implementation of UNSCR and European financial sanctions on terrorists, including measures set forth in directly applicable EU Regulations. Asset freezes now apply not just to financial funds but to all economic resources including real estate, companies, and vehicles. The law provides for bans on travel and bans on rendering services to designated entities; it also establishes administrative and criminal penalties.

The Government of Austria has committed to sharply restrict the issuance and use of bearer shares. Draft legislation eliminating bearer shares for all companies except those listed on the stock exchange has been circulated for comment.

Even absent a specific suspicion, new regulations require tax authorities to inform the FIU of all cases where private foundations do not disclose the founding deed including all appendices and supplementary documentation, as well as beneficial owners of hidden trusteeships.

In June 2010, the United States and Austria signed a bilateral asset sharing agreement to share assets seized from convicted criminals.

Azerbaijan

Azerbaijan is a rapidly growing economy, at the crossroads of Europe and central Asia, with extensive hydrocarbon resources. The majority of international trade and foreign investment takes place in the energy sector. All other sectors lag energy in growth and sophistication, including the financial sector. This gap, coupled with Azerbaijan's shared history, long-standing trade relationships, and common border with Iran, makes Azerbaijan's financial institutions vulnerable to being used by foreign entities looking to conduct money laundering/terrorist financing transactions involving Iran. Over the past year, Azerbaijan has made visible progress in addressing this vulnerability by creating a Financial Monitoring Service (FMS), and implementing regulations in line with international standards.

The major source of criminal proceeds in Azerbaijan is endemic corruption which cuts across all sectors of the economy and all layers of society. International reports also identify Azerbaijan as a transit country for the Afghan drug trade; Azerbaijani authorities suspect this illicit drug trade generates a significant amount of illicit funds. Other generators of illicit funds include robbery, tax evasion, smuggling, trafficking, and organized crime. Money laundering likely occurs in the formal financial sector, non-bank financial systems, alternative remittance systems, and the construction industry. There is a significant black market for smuggled goods in Azerbaijan, which serves as a transit country for illicit goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S. OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; insurance and reinsurance companies and intermediaries; notaries, lawyers and auditors; company formation agents and asset managers; real estate brokers and agents; pawnshops; securities brokers and investment funds; lotteries; the National Post; non-governmental organizations

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, money remitters; insurance and reinsurance companies and intermediaries; securities brokers and investment funds; leasing companies; company formation agents and asset managers; lawyers and auditors; company formation agents and asset managers; real estate brokers and agents; lotteries; dealers of precious metals and stones; pawnshops; non-governmental organizations

Number of STRs received and time frame: 6,607 January 1 through December 14, 2010

Number of CTRs received and time frame: 35,872 January 1 through December 14, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Six in 2010

Convictions: One in October 2009

Assets forfeited: *criminally:* 58,000 EUR (approximately \$75,400) in October 2009 *civilly:*
Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Azerbaijan is a member of MONEYVAL, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation_reports_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The AML law excludes from the list of covered entities travel agencies; auto dealers; and dealers of art, antiques, and other high-value consumer goods. These entities are not required to maintain customer information or report suspicious activity.

The FMS is a dynamic but very young organization. It is in the process of building a database and the expertise with which to systematically study and identify trends in money laundering. Currently, inadequate interagency cooperation and training significantly diminish its investigative abilities. The FMS has concluded information exchange agreements with a number of regional financial intelligence units.

Recently, intergovernmental discussions of draft amendments to the Criminal Code and Code of Criminal Procedure were finalized. In particular, the draft amendments include corporate criminal liability in relation to money laundering and terrorist financing offenses, and special confiscation procedures with an all crimes approach which will make it possible to confiscate proceeds for all forms of offenses.

Bahamas

The Commonwealth of The Bahamas is an important regional and offshore financial center. The economy of the country is heavily reliant upon tourism, tourist-driven construction and the offshore sector. The Bahamas is a transshipment point for cocaine bound for the United States and Europe. Money laundering trends include the purchase of real estate, large vehicles and jewelry, as well as the processing of money through a complex web of legitimate businesses, and international business companies registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of international business companies and offshore banks registered in The Bahamas to launder significant sums of money despite strict KYC and transaction reporting requirements.

The country has one large free trade zone, Freeport Harbor. This zone is managed by a private entity called the Freeport Harbor Company, which is owned and operated through a joint venture between Hutchison Port Holdings (HPH) and The Port Group (The Grand Bahama Port Authority). Businesses at the harbor include private boat, ferry and cruise ship visits, roll-on/roll-off facilities for containerized and

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LTL cargo, and car transshipment. Freeport Harbor has the closest offshore port to the United States and the entire country is relatively accessible by medium sized boats. This makes smuggling and bulk cash money laundering relatively easy. While it is illegal for citizens of the Bahamas to gamble, gambling is legal for tourists and there are three main casinos.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, societies, casinos, lawyers, accountants, real estate agents, and company service providers

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, societies, casinos, lawyers, accountants, real estate agents, and company service providers

Number of STRs received and time frame: 138 STRs in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2010

Convictions: 0 in 2010

Assets forfeited: criminally: \$0 in 2010 *civilly:* \$0 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/The_Bahamas_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/The_Bahamas_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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The Government of the Commonwealth of the Bahamas should provide adequate resources to its law enforcement, judicial, and prosecutorial bodies in order to enforce existing legislation and safeguard the financial system from possible abuses. The Bahamas should continue to enhance its anti-money laundering/counter-terrorist financing regime by implementing the National Strategy on the Prevention of Money Laundering; by ensuring full compliance with UNSCRs 1267 and 1373; and by implementing a system to collect and analyze information on the cross border transportation of currency. It should also ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

Additional gaps in the country's legislation include a failure to criminalize participation in an organized criminal group and to tighten the currency transaction reporting system to track people arriving and leaving to all destinations.

Bahrain

Bahrain is a leading financial center in the Gulf region. In contrast with its Gulf Cooperation Council (GCC) neighbors, Bahrain has a primarily service-based economy, with the financial sector providing more than 20 percent of GDP. It hosts a diverse group of financial institutions, including 189 banks, 22 moneychangers and money brokers, and several other investment institutions, including 89 insurance companies. The greatest risk of money laundering stems from illicit proceeds of foreign origin that transit the country. The vast network of Bahrain's banking system, along with its geographical location in the Middle East as a transit point along the Gulf and into Southwest Asia, may attract money laundering activities. Bahrain does not have a significant black market of smuggled goods or known linkages to drug trafficking.

Khalifa bin Salman Port, Bahrain's major port, provides a free transit zone to facilitate the duty-free import of equipment and machinery. Another free zone is located in the North Sitra Industrial Estate. Raw materials intended for processing in Bahrain, and machinery imported by Bahraini-owned firms, are also exempt from duty; the imported goods may be stored duty-free. These free-zones are not a significant source for money laundering/terrorist financing. The informal and non-bank financial sector are regulated and investigated similarly to the formal sector.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

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Covered entities: Banks and all other financial institutions, investment houses, insurance firms, money exchangers, brokers/dealers, real estate brokers, gold dealers, financial intermediaries, and attorneys

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and all other financial institutions, investment houses, insurance firms, money exchangers, brokers/dealers, real estate brokers, gold dealers, auto dealers, jewelers, and attorneys

Number of STRs received and time frame: 319 from January to September 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0 in 2010

Assets forfeited: *criminally:* Not available *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Bahrain hosts the Secretariat and is a member of the Middle East and North Africa Financial Action Task Force (MENFATF), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportOfBahrain.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Ministry of Social Development increased supervision over non-profit organizations and charities in 2010. In September 2010, the Ministry forced all charities to transfer their legal status to that of "society;" this classification allows the Ministry to oversee all financial transactions. The Ministry circulated an order to freeze twenty charities until they amended their status to that of a society.

There is an over-reliance on suspicious transaction reporting to initiate money laundering investigations. Awareness within the capital markets and designated non-financial businesses and professions regarding STR reporting obligations is inconsistent. Cash transaction reporting is not separated from suspicious transaction reporting requirements. Tipping off is not prohibited.

Bahrain uses a controversial definition of terrorism. One provision of Law 54 is a revised definition of terrorism that is based on the Organization of the Islamic Conference definition. Article 2 excludes from the definition of terrorism acts of struggle against invasion or foreign aggression, colonization, or foreign supremacy in the interest of freedom and the nation's liberty.

Bahrain does not have a mutual legal assistance agreement with the United States. Information is exchanged on a case-by-case basis.

Bangladesh

Bangladesh is not a regional financial center. Pervasive corruption, drug trafficking, and human trafficking are the principal sources of criminal proceeds; securities fraud; embezzlement; and extortion are also notable sources of illicit proceeds. Bangladesh's geographic location, including its seaports and long porous borders with India and Burma, makes it a key transshipment point for drugs produced in both the 'golden triangle' and 'golden crescent' regions, with drugs ultimately bound for markets in Europe, the United States and Canada. Bangladesh has a relatively low terrorist financing profile. However, Bangladesh-based terrorist organization Jamaat ul-Mujahideen Bangladesh (JMB) has publicly claimed to receive funding from Saudi Arabia.

The Bangladeshi economy is cash based, and relies heavily on remittances from expatriate Bangladeshi workers. Money transfers outside of the formal banking sector, the post office, and licensed foreign exchange houses are illegal. Nevertheless, the majority of remittances are done through the underground "hawala" or "hundi" system. Informal systems are used to avoid taxes, customs duties, and currency controls, and criminals and criminal organizations exploit these systems as a low-risk avenue to conceal the proceeds of crime and to send illicit funds abroad.

Bangladesh is not an offshore banking center and has no international free trade zones. The Central Bank reports a considerable increase in remittances sent through official channels, reaching approximately \$10.99 billion between January and December 2010. The increase is due to competition from commercial banks through improved delivery time, guarantees, and value-added services, such as group life insurance. However, hundi and black market money exchanges remain popular due to the non-convertibility of the local currency and the intense scrutiny on foreign currency transactions in formal financial institutions.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, financial institutions, insurance companies, money changers and remitters; institutions conducting business under approval of Bangladesh Bank; stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers; and non-profit and non-governmental organizations

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, financial institutions, insurance companies, money changers and remitters; institutions conducting business under approval of Bangladesh Bank; stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers; and non-profit and non-governmental organizations

Number of STRs received and time frame: 44 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five in 2010

Convictions: One in 2010

Assets forfeited: ***criminally:*** 2.32 crore Taka (approximately \$336,200) ***civilly:*** Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Bangladesh is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Bangladesh%20ME2%20-%20final120809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Bangladesh (GOB) has demonstrated a strong policy level commitment to cooperate with international partners and strengthen its AML/CFT regime, but effective implementation remains a significant issue. In late 2010, the GOB worked with the U.S. Department of Justice to draft stronger AML/CFT legislation. Also in 2010, the GOB assisted a U.S. federal court with an asset forfeiture case with ties to Bangladesh and Singapore. The GOB should continue its work on the amendments to the Money Laundering Prevention Act (MLPA) and the Anti-Terrorism Act (ATA), including implementing mechanisms, and should continue to improve investigation, prosecution, supervision, and enforcement capacity.

The GOB acknowledges corruption is pervasive in Bangladesh, and that it undermines effective implementation of AML/CFT measures. Investigations are compromised by corruption in many law enforcement organizations, including police and customs. The GOB has made combating corruption a national priority and has had success in investigating and prosecuting straightforward corruption cases. However, the GOB does not yet have sufficient training or experience to comprehensively pursue complex cases involving both corruption and money laundering through foreign jurisdictions or multi-layered investment schemes. The GOB should continue its aggressive investigations into corruption and enhance training of investigators so they better understand its relationship to money laundering and related crimes.

The GOB should amend its legislation, as necessary, to prohibit “tipping off” and to provide a safe harbor for financial institutions and their employees who report suspicious activity to the GOB in good faith. Additionally, Bangladesh should become a party to the UN Convention against Transnational Organized Crime.

Barbados

Barbados is a major offshore center with a large international business company (IBC) presence. The country is vulnerable to money laundering, which primarily occurs in the formal banking system. Domestically, money laundering is largely drug-related and appears to be derived from the trafficking of cocaine and marijuana, as Barbados is a transit country for illicit narcotics. There is also evidence of Barbados being exploited in the layering stage of money laundering with funds originating abroad. The major source of these funds appears to be connected to fraud.

As of November 2010, there are six commercial banks in Barbados. The offshore sector includes 2,643 IBCs, 161 exempt insurance companies and 76 qualified exempt insurance companies, ten mutual fund companies and one exempt mutual fund company, nine trust companies, five finance companies and 53 offshore banks. There are no free trade zones and no domestic or offshore casinos. Offshore banks are subject to the same supervision as domestic banks. Additionally, permission must be obtained from the Central Bank to move currency abroad. IBCs are subject to enhanced due diligence requirements for IBC license applications and renewals. Bearer shares are not permitted, and financial statements of IBCs are audited if total assets exceed \$500,000.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Barbados is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Barbados_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Barbados_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOB should be more aggressive in conducting examinations of the financial sector and maintaining strict control over vetting and licensing of offshore entities. The GOB should devote sufficient resources to ensure the FIU, law enforcement, supervisory agencies, and prosecutorial authorities are properly staffed and have the capacity to perform their duties. The GOB should amend its legislation to allow for the seizure of suspected illegal funds at the border and to allow the freezing of funds or assets linked to terrorism or terrorist financing. Barbados should consider the adoption of civil forfeiture and asset sharing legislation. Supervision of nonprofit organizations, charities, DNFBPs, and money transfer services should be strengthened, as should information sharing between regulatory and enforcement agencies. Finally, to further enhance its legal framework against money laundering, Barbados should move expeditiously to become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Belarus

There is a general lack of transparency and accountability throughout the Belarusian financial sector. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. Due to excessively high taxes, an intricate taxation system, underground markets, and the “dollarization” and “eurozation” of the economy, a significant volume of foreign-currency cash transactions eludes the banking system. Illicit proceeds and assets are sometimes laundered in Belarus through the sale of stolen cars using forged paperwork; depositing illicit funds into operating accounts of businesses in the form of contributions increasing authorized capital; the sale of illicitly acquired assets through retail networks; and the transfer of assets to balance sheets of front companies. The concentration of power in the hands of the Presidency and the lack of a system of checks and balances between the various branches of government are the greatest hindrances to the rule of law and transparency of governance. Economic decision-making in Belarus is highly concentrated within the top levels of government and financial institutions have little autonomy.

Based on a 1996 Presidential Decree, Belarus has established one free economic zone (FEZ) in each of Belarus’ six regions. The president creates FEZs upon the recommendation of the Council of Ministers and can dissolve or extend the existence of a FEZ at will. The Presidential Administration, the State Control Committee (SCC), and regional authorities supervise the activities of companies in the FEZs. According to the SCC, applying organizations are fully vetted before they are allowed to operate in an FEZ. Banks in the zones are currently subject to all regulations that apply to banks outside the zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach

Legal persons covered: *criminally:* NO *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and insurance brokers; postal service operators; and property leasing firms

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and insurance brokers; postal service operators; and property leasing firms

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Belarus is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force-style regional body. Its mutual evaluation can be found here:

<http://www.eurasiangroup.org/en/mers.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In April, 2006, the United States issued an advisory to U.S. financial institutions, which remains in effect, alerting them to guard against a potential money laundering threat involving Belarusian government senior regime elements (including senior executives in state-owned enterprises), acting individually or through government agencies and associated front companies, seeking to move misappropriated Belarusian state assets as well as proceeds from illicit arms sales to or through the U.S. financial system. In June 2006, the United States imposed targeted financial sanctions on these Belarusian government senior regime elements. In addition, in April 2004, Infobank, Minsk (renamed PJSC Trustbank) was designated under section 311 of the USA PATRIOT Act as of primary money laundering concern. In 2007, the United States imposed sanctions on the state petrochemical conglomerate, Belneftekhim, which U.S. officials believe is personally controlled by President Alexander Lukashenko. The company accounts for about one-third of Belarus' foreign currency earnings. In 2008, the U.S. suspended the

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sanctions on two Belneftekhim subsidiaries, but as of yearend 2010, continued sanctions against all other Belneftekhim entities.

The Government of Belarus (GOB) has taken steps to construct a legal and regulatory framework to fight money laundering and terrorist financing, including amending its AML law in 2010, strengthening basic customer due diligence (CDD) requirements, introducing special CDD procedures for politically exposed persons, and criminalizing insider trading. Despite these efforts, serious deficiencies remain, and in many instances, implementation falls below international standards. The GOB should focus on the full implementation of existing legislation and enact amendments to its laws, where necessary, to accomplish the following: implement strict regulation of industries operating within the FEZ areas; reinstate the identification requirement for foreign currency exchange transactions; extend anti-money laundering/counter-terrorist financing (AML/CFT) laws and regulations to governmental transactions that are currently exempted under the law; and hone its guidance on and enforcement of suspicious transaction reporting. The GOB should ensure the regulations and guidance provided by the National Bank and other regulators are legally binding.

Insufficient resources are allocated for supervision and enforcement, and regulatory authorities lack sufficient independence. The National Bank should be given the authority to carry out its responsibilities, and not be subject to influence by the presidential administration. The GOB should provide law enforcement agencies and the judiciary with appropriate resources and training to increase their capacity to investigate and prosecute money laundering and terrorist financing offenses. The GOB should provide adequate staff, tools, training and financial resources to the Financial Monitoring Department at the State Control Committee – the financial intelligence unit (FIU) – so that it can operate effectively. The GOB must work to further improve the coordination among agencies responsible for enforcing AML/CFT measures.

International cooperation is poor. Belarus does not have an adequate system in place to freeze terrorist assets without delay. Belarus's cross-border currency declaration system does not cover bearer negotiable instruments and is not structured and implemented with the goal of combating money laundering. The GOB should take serious steps to combat corruption in commerce and government. The GOB also should take steps to ensure the AML/CFT framework operates more objectively and less as a political tool.

Belgium

Belgium's banking industry is of medium size, with assets of over \$2 trillion dollars in 2010. Illicit funds, formerly consisting mostly of narcotics trafficking proceeds, now derive mainly from serious forms of financial crime, including tax crime. Authorities note that criminals are increasing their use of remittance transactions and shell companies, and are abusing non-financial sectors, in particular lawyers, real estate and nonprofit organizations to launder money. In 2010, the Belgian financial intelligence unit also noted an increase in money laundering via "money mules" and internet scams as well as an increase in the number of cases involving fraud through the European carbon market. The Belgian diamond industry also has been used to launder money.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, bailiffs, auditors, chartered accountants, tax advisors, certified accountants, surveyors, lawyers and casinos

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, bailiffs, auditors, chartered accountants, tax advisors, certified accountants, surveyors, lawyers and casinos

Number of STRs received and time frame: 17,170 for 2009

Number of CTRs received and time frame: 9,973 for 2009

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 60 in 2009

Convictions: 39 in 2009

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Belgium is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/40/39/42761756.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Belgium permits bearer shares for individuals as well as for banks and companies.

Belgian authorities are working to address implementation issues in two sectors, phone shops and the diamond industry. Phone shops allow customers to make inexpensive phone calls and access the internet. Only a quarter of approximately 3,000 phone shops are formally licensed, and raids on these shops have uncovered evidence of money laundering operations. Authorities report challenges for officials trying to collect tax revenues and police money laundering operations, because phone shops often declare bankruptcy and later reopen under new management. Belgian authorities recognize the particular importance and special challenges for law enforcement of the diamond industry, as well as the potential vulnerabilities it presents to the financial sector, as 80 percent of the world's rough diamonds and 50

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percent of polished diamonds pass through Belgium. Authorities have transmitted a number of cases relating to diamonds to the public prosecutor.

Belize

Belize is not a major regional financial center but is an offshore financial center. In an attempt to diversify Belize's economic activities, authorities have encouraged the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. Belize has pegged the Belizean dollar to the U.S. dollar and continues to offer financial and corporate services to nonresidents in its offshore financial sector, which represents a potential vulnerability for money laundering.

Most money laundering is largely thought to be related to proceeds from U.S. residents participating in unlawful internet gaming. Belize is a transshipment point for marijuana and cocaine. There is a growing indication that money laundering proceeds are related to proceeds from the trafficking of illegal narcotics, psychotropic substances, and chemical precursors, and that they are controlled by local drug trafficking organizations and organized criminals.

Belizean officials suspect that money laundering occurs primarily within the free trade zones. Belizean officials believe the large Corozal Commercial Free Zone (CFZ) that operates at the border with Mexico is involved in trade-based money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Both

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Domestic and offshore banks; venture risk capital; money broker, exchange and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions and building societies; trust and safekeeping services

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Domestic and offshore banks; venture risk capital; money broker, exchange and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions and building societies; trust and safekeeping services

Number of STRs received and time frame: 67, January 1 through December 13, 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Six, January 1 through December 13, 2010

Convictions: Five, January 1 through December 13, 2010

Assets forfeited: *criminally:* None *civilly:* \$510,000

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Belize is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation cannot be found on the CFATF website. A Report on the Observance of Standards and Codes prepared by the IMF can be found at: <http://www.imf.org/external/pubs/ft/scr/2004/cr04373.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Belize lacks the resources to effectively enforce anti-money laundering rules. Belize's Financial Intelligence Unit (FIU) has a broad mandate and is severely understaffed. The FIU staff does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. Prosecutors and judges also need additional training on financial crimes, including money laundering. Prosecutors assigned to the FIU could also assist with cases going to court, as the FIU is currently forced to contract outside attorneys to prosecute its cases. If implemented, an arrangement for asset sharing may provide additional resources to the FIU.

While it is widely believed that abuse occurs within the offshore sector and in the free trade zones, no one from these organizations has been charged with a financial crime. Belize should require the Commercial Free Zones (CFZ) to be reporting entities. The GOB should become a party to the UN Convention against Corruption.

Benin

Benin is not a financial center. It is a regional re-export hub, particularly for trafficked vehicles. A large percentage of motor fuels sold in Benin is informally imported from Nigeria. There is also significant informal trade in consumer goods with Nigeria, including medicines and vegetable oil. Internet and other fraud schemes are common. Benin is a transit point for cocaine and heroin moving from Latin America to Europe. Human trafficking and corruption are also concerns. There is no indication the informal markets are funded through narcotics proceeds. While some money laundering may occur through Benin's banking system, Government of Benin (GOB) officials believe money laundering is undertaken primarily through the purchase of assets such as real estate, shipment of used vehicles for resale, and front companies.

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate offenses: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones and artifacts

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones and artifacts

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Twelve over the last three years

Convictions: None

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Benin is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=38&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the GOB has taken specific steps to construct an anti-money laundering/counter-terrorist financing (AML/CFT) regime, its level of compliance and implementation measured against international standards is low. There is a lack of overall AML/CFT countermeasures by both industry and responsible government agencies. AML measures suffer from lapses of information sharing and cooperation between government agencies and departments. Benin law enforcement is hindered by a lack of financial crimes expertise. There is little data to reliably measure progress in combating money laundering.

Know your customer and suspicious transaction reporting requirements are not routinely implemented. With the exception of cash couriers, who must declare the transfer of funds equal to or exceeding 2,000,000 FCFA (approximately \$4,000) across borders, AML/CFT controls are not applied to non-bank financial institutions (NBFI), despite their coverage under the law. Benin customs authorities do not evaluate cross-border currency declarations for money laundering purposes and do not share the data with the financial intelligence unit. The GOB should work with regional partners and international donors and provide AML training and awareness to those with responsibilities under the law.

Bermuda

An overseas territory of the United Kingdom (UK), Bermuda is a major offshore financial center. It is the third largest reinsurance center in the world and the second largest captive insurance domicile. Bermuda is not considered a major drug transit country; however, the majority of the money laundering that occurs in Bermuda is believed to be related to the domestic drug trade. Money laundering proceeds are controlled primarily by gangs, which have proliferated in recent years. There is no significant black market for smuggled goods in Bermuda.

There are no free trade zones, hawalas or other informal financial sector entities in Bermuda in which money laundering/ terrorist financing occurs. However, there are cases where domestic criminals utilize the formal financial sector for money laundering purposes. Bermuda does not permit offshore banks; a foreign bank may establish a subsidiary as a Bermuda company with its own board of directors, but may not establish a branch. Bermuda does not permit bearer shares, nor does it permit shell companies.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Both

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, trustees, investment businesses (including securities brokers and financial management firms), long-term insurance companies, money service businesses, insurance managers and brokers, fund administrators, and investment fund operators

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: All persons have a duty to report any suspicion of money laundering that comes to their attention in the course of their ‘trade, profession, business or employment’

Number of STRs received and time frame: 166 from January through September 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine in 2010

Convictions: Three in 2010

Assets forfeited: criminally: Over \$ 350,000 in 2010 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Bermuda is a member of Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Bermuda_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Bermuda_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Minister of Justice issued an Order in August 2010 that expands the sanctions regime relating to Iran and allows for the implementation of both UN and EU sanctions on designated persons and entities.

Legislative amendments in 2010 create new regulations for wire transfers and make it easier for law enforcement authorities to track funds transferred electronically. The law also establishes the statutory framework for supervising designated non-financial businesses and professions (DNFBPs). The change includes lawyers and accountants, corporate service providers, real estate dealers, high value goods dealers, and dealers in precious metals and stones. DNFBPs will be subject to coverage in the first half of 2011. In addition, the Act requires accountants who are members of the Institute of Chartered Accountants of Bermuda and lawyers who are members of the Bermuda Bar Association, as well as other 'regulated non-financial businesses and professions' to be subject to know your customer rules in 2011.

The Government of Bermuda should ensure its offshore sector and exempt companies are subject to appropriate safeguards to prevent their misuse as potential conduits of money laundering, tax evasion, and other financial crimes. The low number of money laundering prosecutions and convictions suggests an over-reliance on STRs to initiate investigations. More emphasis should be given to the police and customs to identify and pursue financial crimes investigations proactively.

Bermuda is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Bermuda's international affairs and may arrange for the ratification of any convention to be extended to Bermuda. The 1988 Drug Convention was extended to Bermuda in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to Bermuda.

Bolivia

Bolivia is not a regional financial center, but money laundering activities continue to take place. These illicit financial activities are related primarily to narcotics trafficking, corruption, tax evasion, and smuggling and trafficking of persons. Hotels, currency exchange houses, casinos, cash transporters, informal exchange houses, and wire transfer businesses are not subject to anti-money laundering controls. The Bolivian financial system is highly dollarized, with approximately 50% of deposits and loans distributed in U.S. dollars rather than Bolivianos, the local currency (down from 90% in 2004). Bolivia has 13 free trade zones, located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, and Desaguadero, for commercial and industrial use.

Bolivia was suspended from the Egmont Group of Financial Intelligence Units (the Egmont Group) in July 2007 because Bolivia has not criminalized terrorist financing. In December of 2008, the Egmont Group expelled Bolivia's FIU from its membership, due to a lack of terrorism financing legislation in Bolivian law. To regain Egmont membership, Bolivia must reapply and provide written evidence of its FIU's compliance with Egmont FIU definitions and requirements.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach.

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/2009/140888.htm>

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, insurance companies, securities brokers and financial intermediaries

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, insurance companies, securities brokers and financial intermediaries

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: Not available

Bolivia is a member of the Financial Action Task Force of South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:
<http://www.gafisud.info/pdf/InformeBolivia.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The expulsion of the U.S. Drug Enforcement Administration from Bolivia in November 2008 has diminished the effectiveness of several financial investigative groups operating in the country, including Bolivia’s Financial Investigative Team, the Bolivian Special Counternarcotics Police, and the Bolivian Special Operations Force. Most money laundering investigations continue to be in the Department of Santa Cruz and are associated with narcotics trafficking organizations.

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Bolivia's expulsion from the Egmont Group bars the UIF from participating in Egmont Group meetings or using the Egmont Secure Web (the primary means of information exchange among Egmont Group member FIUs).

New legislation introduced in March of 2010 provides for money laundering to be treated as an autonomous offense. The law also expands the list of predicate offenses for money laundering but still does not include all offenses recommended in the international standards. The predicate offenses for money laundering should cover all serious offenses, and Bolivia should seek to extend its laws to the widest range of predicate offenses.

In September 2010, a draft law to criminalize terrorist financing was provided to the Council of Ministers for approval. This draft law also includes provisions addressing the freezing, seizure and confiscation of terrorist-related assets; and gives authority to the FIU to freeze for 48 hours the execution of a transaction suspected of being related terrorist financing. It appears the proposed criminalization of TF requires "intent". This may pose difficulties in the application and interpretation of the provision. The provision seems to require that the funds are actually used to carry out or attempt a terrorist act. Separately, obligated entities should be required by law or regulation to report to the FIU information related to terrorist financing.

The continued lack of personnel, combined with inadequate resources and weaknesses in Bolivia's basic legal and regulatory framework, limits the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

Bosnia and Herzegovina

Bosnia and Herzegovina (BiH) is a primarily cash-based economy and is not an international or regional financial center. Most money laundering activities in BiH are for purposes of evading taxes. A lesser portion involves concealing the proceeds of illegal activity such as trafficking, drugs, and corruption. BiH authorities have had some success in clamping down on money laundering in the formal banking system. However, with porous borders and weak enforcement capabilities, BiH is a significant market and transit point for smuggled commodities including cigarettes, narcotics, firearms, counterfeit goods, lumber, and fuel oils. The cash-based economy and weak border controls on bulk cash couriers also contribute to making BiH an attractive venue for organized criminal elements and potential terrorist financiers. There is no indication law enforcement has taken action to combat the trade-based money laundering likely to be occurring in BiH. Corruption is endemic, affecting all levels of the economy and society.

There are four active free trade zones in BiH, with production based mainly on automobiles and textiles. There have been no reports that these areas are used in trade-based money laundering. The Ministry of Foreign Trade and Economic Relations is responsible for monitoring free trade zone activities.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and currency exchange offices; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, precious metals and stones; lawyers, notaries, auditors, and accountants; real estate brokers; company formation agents, trust and asset managers; pawnshops; travel agents; auctioneers; and charities

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and currency exchange offices; financial leasing firms; individuals; post offices, investment and mutual pension companies, stock exchanges and stock exchange agencies, insurance companies, casinos and gaming enterprises; dealers in vehicles, art, precious metals and stones; lawyers, notaries, auditors, and accountants; real estate brokers; company formation agents, trust and asset managers; pawnshops; travel agents; auctioneers; and charities

Number of STRs received and time frame: None in 2010

Number of CTRs received and time frame: 227,077 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three against seven persons and four legal entities in 2010

Convictions: 13 - 2009 – 2010; one was overturned on appeal

Assets forfeited: criminally: approximately \$225,000 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

BiH is a member of Moneyval, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

www.coe.int/t/dghl/monitoring/moneyval/Countries/BH_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

BiH's political structure and ethnic politics hinder its anti-money laundering/counter-terrorist financing (AML/CFT) regime. Coordination of financial law enforcement among the multiple jurisdictional levels in BiH -- the State, the two entities (the Federation of Bosnia and Herzegovina and the Republika Srpska), and Brcko District -- is improving. The jurisdictions maintain separate financial supervision and enforcement bodies. The State, the two entities, and Brcko District should move quickly to prepare and adopt a national action plan or strategy to address the AML/CFT deficiencies. Although State-level

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institutions are becoming more firmly grounded and are gaining increased authority, overlapping responsibilities regarding investigation of money laundering and terrorist financing cause confusion and impede efforts to improve operational capabilities.

BiH law enforcement and customs authorities should take additional steps to control the integrity of the borders and limit smuggling. BiH law requires customs officials and the Indirect Tax Administration (ITA) to report to the financial intelligence unit (FIU) all cross-border transportation of cash and securities in excess of KM 10,000 (approximately \$6,800). However, due to confusing and possibly conflicting laws at the state and entity levels, weak enforcement and corruption, large amounts of currency leave and enter the country undetected. In addition, the ITA has no authority to seize currency from the carrier upon discovery of a false declaration or suspicion of illegal activity. Although the Government of BiH recognizes the threat of money laundering posed by bulk cash couriers, it has been unable to manage the problem.

In practice, most of the institutions subject to the STR requirements, other than commercial banks, have not received guidance and, consequently, do not understand their obligations or comply with the law. Neither the securities sector nor the insurance sector has submitted any STRs recently. Officially, the FIU has access to other Government entities' records, and formal mechanisms for interagency information-sharing are in place. In practice, however, the FIU has only limited access to the full range of databases required to perform proper analysis, and cooperation between the FIU and other Government agencies – particularly the different police forces -- is weak, with little information shared among agencies. Since June 2010, following the installation of a new department head, the level of cooperation with the agencies has improved and information has been shared in both directions.

The Government of BiH should continue to strengthen institutions with responsibilities for money laundering prevention, particularly those at the State level. Due to a lack of resources and bureaucratic politics, the FIU, like many State institutions, remains under-funded and under-resourced. The Government of BiH should amend its Law on Money Laundering and Terrorist Financing to clarify the FIU's obligation to disseminate information outside the organization and increase independence of the organization. Although prosecutors, financial investigators, and tax administrators have received training on tax evasion, money laundering, and other financial crimes, BiH should enhance the capacity to understand diverse methodologies, and aggressively pursue investigations. BiH authorities should undertake efforts to understand the illicit markets and their role in trade-based money laundering and alternative remittance systems.

BiH should take specific steps to completely implement its anti-corruption strategy and to combat corruption at all levels of commerce and government. The government should enact implementing legislation for the international conventions to which it is a party.

BiH and all entities have laws which address asset forfeiture. However, the Republika Srpska is the only entity with specific legislation addressing the management of property obtained through asset forfeiture. BiH authorities rarely use these forfeiture provisions and their interpretation is subject to great debate. BiH should adopt a comprehensive asset forfeiture law that provides a formal mechanism for the administration of seized assets.

Botswana

The majority of crime in Botswana does not generate significant proceeds. Money laundering in Botswana, to the extent that it occurs, is not primarily related to proceeds from drugs. However, there is some indication of an increase in drug trafficking in recent years and observers have noted an increase in the sophistication and level of organization of cross-border crime. There has been an increase in the

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amount and frequency of major fraud committed against large organizations, e.g., banks or government departments, typically with the collusion of an employee. It is not known whether the laundering of the proceeds of these crimes takes place in-country or involves transport of proceeds across borders. The Government of Botswana (GOB) has established the fundamentals of an anti-money laundering (AML) regime through various legislative and regulatory instruments.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance business, a licensed person who transacts foreign exchange, and an international financial services center certification committee

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance business, a licensed person who transacts foreign exchange, and an international financial services center certification committee

Number of STRs received and time frame: 99 in 2006 - no additional data available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two

Convictions: Two

Assets forfeited: criminally: The only criminal forfeiture is under appeal ***civilly:*** Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

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Botswana is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=167

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the key components of the institutional framework for anti-money laundering are in place, only the Central Bank enforces AML requirements. Implementation of the AML regime has been slow. Botswana has yet to undertake an in-depth review of money laundering and terrorism financing risks and vulnerabilities. The country's Financial Intelligence Agency, though legally established, is not yet operational. Domestic coordination between agencies needs improvement. Enforcement agencies need to be sensitized to financial crimes and trained in investigation techniques.

Terrorist financing is not criminalized as a specific offense in Botswana. However, acts of terrorism and related offenses, such as aiding and abetting, can be prosecuted under the Penal Code and under the Arms and Ammunitions Act.

Botswana enjoys a relatively low level of corruption compared to other African states, and the Directorate on Corruption and Economic Crime is actively investigating an increasing number of cases. The Department of Public Prosecution regularly prosecutes corruption offenses committed by politically important persons.

Brazil

Brazil is the world's fifth largest country in size and population, and as of 2010, the eighth largest economy in the world. Brazil is considered a regional financial center for Latin America. It is a major drug-transit country, as well as one of the world's largest consumer countries. Brazil maintains some controls of capital flows and requires disclosure of the ownership of corporations. Money laundering in Brazil is primarily related to domestic crime, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

Sao Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay are particular areas that possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to Sao Paulo and the TBA, other areas of the country are also of growing concern. The Government of Brazil (GOB) and local officials in the states of Mato Grosso do Sul, and Parana, for example, have reported increased involvement by Rio de Janeiro and Sao Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: NO civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

Number of STRs received and time frame: 56,371 in 2009

Number of CTRs received and time frame: 1,746, 494 in 2009

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Brazil is a member of the Financial Action Task Force (FATF) and the FATF of South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here:

www.fatf-gafi.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOB achieved visible results from investments in border and law enforcement infrastructure that were executed with a view to gradually control the flow of goods, both legal and illegal across Brazil's land borders. Anti-smuggling and law enforcement efforts by state and federal agencies have increased. Brazilian Customs and the Brazilian Tax Authority (Receita Federal) continue to take effective action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. According to the Receita Federal, in 2009 the agency interdicted a large volume of smuggled goods, including drugs, weapons, and munitions. Because of the effective crackdown on the Friendship Bridge connecting Foz do Iguaçu, Brazil, and Ciudad del Este, Paraguay, most smuggling has migrated to other

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sections of the border. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

Legal persons are not subject to direct civil or administrative liability for committing money laundering (ML) offenses. Corporate criminal liability is not possible due to fundamental principles of domestic law. Natural and legal persons are not subject to effective sanctions for ML because systemic problems in the court system seriously hamper the ability to obtain final convictions and sentences, and legal persons are not subject to direct civil/administrative sanctions for committing a ML offense. Very few final convictions for ML and convictions in the first instance are low given the level of ML risk and size of the financial sector. The GOB should take legislative action to establish direct civil or administrative corporate liability for ML and ensure that effective, proportionate and dissuasive sanctions may be applied to legal persons. Brazil also should continue to support the Specialized Federal Courts and other measures to ameliorate the negative impact of some of the systemic problems in the court system which are undermining the ability to effectively apply final sanctions for ML. The GOB should continue taking measures to ensure that the overlapping jurisdiction among federal and state law enforcement authorities does not impede the effectiveness of their ability to investigate ML. Brazil should also continue the PNLD training program and extend it as widely as possible to ensure that police, prosecutors and judges at both the state and federal levels have sufficient training in the investigation and prosecution of ML cases.

Most high-priced goods in the TBA are paid for in US dollars, and cross-border bulk cash smuggling is a major concern. Large sums of US dollars generated from licit and suspected illicit commercial activity are transported physically from Paraguay through Uruguay and Brazil to banking centers in the United States.

In February 2006, U.S. Immigration and Customs Enforcement established a Brazil-based partner Trade Transparency Unit (TTU) to aggressively analyze, identify, and investigate companies and individuals involved in trade-based money laundering activities between Brazil and the United States. As a result of the TTU, Brazil has identified millions of dollars of lost revenue.

The GOB has generally responded to U.S. efforts to identify and block terrorist-related funds. None of the individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list has been found to be operating or executing financial transactions in Brazil, and the GOB has frequently insisted that there is no evidence of terrorist financing within Brazil. However, in December 2010, the U.S. Treasury Department designated Bilal Mohsen Wehbe, Hizballah's chief representative in South America, as a Specially Designated Global Terrorist (SDGT) under Executive Order 13224. Wehbe has been involved in transferring funds collected in Brazil to Hizballah in Lebanon. In 2009, based on information provided by the F.B.I., a man was arrested in Sao Paulo on suspicion that he was connected to the Jihad Media Battalion, a known terrorist organization with possible ties to Al Qaeda. However, a Brazilian judge ordered his release after several weeks, and the GOB has taken the position he had no demonstrable ties to any terrorist activity.

Although Brazil is a party to the United Nations International Convention for the Suppression of the Financing of Terrorism, it has not criminalized terrorist financing in a manner that is consistent with international standards. Terrorist financing is a predicate offense for money laundering but is not an autonomous offense in Brazil; however, a bill awaiting legislative action contains language that could resolve this gap.

British Virgin Islands

The British Virgin Islands (BVI) is a United Kingdom (UK) overseas territory with a population of approximately 22,000. The economy depends greatly on tourism and its offshore financial sector. As of September 2010, there were 456,547 active companies, seven licensed banks, 230 fiduciary services, and 2,951 mutual funds registered with the BVI Financial Services Commission (FSC). BVI's unique share structure that does not require a statement of authorized capital as well as the lack of mandatory filing of ownership, pose significant money laundering risks. Tourism accounts for 45 percent of the economy and employs the majority of the workforce. Financial services are very important, however, contributing over half of government revenues. BVI remains vulnerable to money laundering practices through its drug trafficking trade and the exploitation of its offshore financial services. BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose risk factors for money laundering. The BVI are a major target for drug traffickers, who use the area as a gateway to the United States. Drug trafficking in general is a serious problem.

BVI is a well established center offering accounting, banking and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The FSC is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes.

While gaming is prohibited in the BVI, casinos have been incorporated in the definition of relevant business under the AML/CFT regime.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; and leasing companies

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; and leasing companies

Number of STRs received and time frame: 191 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2010

Convictions: 0 in 2010

Assets forfeited: ***criminally:*** 0 ***civilly:*** 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

BVI is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Virgin_Islands_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Virgin_Islands_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Reporting institutions are advised to monitor relevant websites for names of suspected terrorists and related organizations. No specific guidance has been issued to outline reporting institutions' obligations to freeze funds of designated terrorists and terrorist organizations.

The U.S. and the British Virgin Islands established a Tax Information Exchange Agreement (TIEA) in 2006. Application of the US - UK mutual legal assistance treaty (MLAT) concerning the Cayman Islands was extended to the BVI in 1990. The FSC cooperates with foreign counterparts and law enforcement agencies. In 2000, the Information Assistance (Financial Services) Act (IAFSA) was enacted to increase the scope of cooperation between the BVI's regulators and regulators from other countries.

While BVI legislation has strengthened due diligence requirements where a representative is acting on another person's behalf or when the customer is resident in another country which does not fully comply with FATF rules, and has extended regulation to money value transfer service operators these laws are too new to be evaluated. The FSC should increase its staffing in order to meet the recommended inspection and reporting requirements, especially in light of the new entities covered under the law. The lack of prosecutions for money laundering and a reported decline in number of inspections suggests that the FSC should work closely with law enforcement and other authorities. In addition, while real estate agents, lawyers, other independent legal advisers, accountants, dealers in precious metals and stones are covered by the AML/CFT regulations, there appears to be no effective mechanism to ensure compliance with AML/CFT requirements.

The British Virgin Islands is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to the BVI.

Brunei

Brunei is not a regional financial center. Brunei's proximity to high crime regions, along with its large foreign worker population and limited AML/CFT controls, make it vulnerable to cross-border criminal activity. Domestically, Brunei is a generally low threat country for money laundering and terrorist financing, and proceeds of crime generally originate in fraud, gambling, the drug trade, and fuel

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smuggling. Brunei has experienced an increase in cyber crime and financial fraud such as pyramid schemes and e-mail scams.

While Brunei criminalized money laundering and terrorist financing, law enforcement and prosecutors are hampered by a lack of capacity and gaps in the legal framework. Brunei lacks an effective method to monitor cross-border currency and bearer instruments, and both domestic and cross-border wire transfers are not comprehensively monitored. Brunei has a small offshore center, with weak AML/CFT controls, and no free trade zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

Number of STRs received and time frame: 24 in 2010

Number of CTRs received and time frame: 3,068 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: criminally: Not applicable civilly: Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Brunei is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Brunei's most recent mutual evaluation can be found here:

http://www.apgml.org/documents/docs/17/Brunei%20Darussalam%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Brunei's weak AML/CFT controls and lack of institutional capacity to enforce AML/CFT compliance have been of particular concern given its proximity to countries with high money laundering and terrorist financing profiles. The Government of Brunei (GOB) committed to strengthening its AML/CFT regime by approving an order in July 2010, which includes stronger KYC rules. The order is to be implemented on January 1, 2011. The GOB should make implementation of the KYC rules a priority. As this order does not address designated non-financial businesses and professions (DNFBPs), the GOB should draft notices to cover DNFBPs as well.

Only money changer and remittance companies are obliged to report cash transactions above B\$5,000 (approximately \$3,850). New reporting procedures for banks have been proposed.

The GOB issued a notice to banks to conduct enhanced due diligence on politically exposed persons (PEPs); however, the official GOB order instituting enhanced due diligence for PEPs is not yet in force. The GOB should ensure the order covering PEPs is gazetted as soon as possible in 2011.

Brunei should establish cross-border currency requirements and strengthen its actions against investment fraud and illegal deposit taking. Intellectual property theft generates significant proceeds but is not a priority for authorities. The GOB should ensure intellectual property crimes are fully criminalized, and effective controls are in place to prevent theft and prosecute offenders.

Bulgaria

Bulgaria is not considered an important regional financial center. However, it has a well-developed financial sector in comparison to other Balkan countries and relatively lax regulatory controls. The country's large gray economy and the prevalence of cash transactions make it especially vulnerable to money laundering. Bulgaria is a major transit point for the trafficking of drugs and persons into Western Europe, generating criminal proceeds that are subsequently laundered in Bulgaria. According to Bulgarian law enforcement, the main sources of laundered funds in 2010 were from both domestic and foreign criminals engaging in drug trafficking, smuggling, human trafficking, tax fraud, credit card fraud, and internet fraud. Public corruption is a pervasive problem in Bulgaria, and many suspect that some public tenders were used to conceal money laundering. The government has made significant efforts to curb corruption and prosecuted several high-level public officials, including former ministers.

Numerous high-profile anti-smuggling operations have generally had a deterrent effect on contraband. However, smuggling, particularly of cigarettes, alcohol, and fuel, remains a serious problem, reportedly sustained by corrupt Bulgarian businessmen and politicians trying to avoid paying value added taxes and excise duties. Despite law enforcement efforts, cigarette smuggling remains rampant due to the crisis-driven fall in disposable income and the government's increase of excise duties. Contraband, including stolen cars, and clothes, also generates funds laundered through the financial system.

As organized crime groups move into legitimate business operations, money laundering is becoming more sophisticated and difficult to trace. Criminals invest laundered money in casinos, night clubs, and dealerships selling expensive cars, boats, and other luxury goods imported from the United States and Europe. Despite a dramatic slowdown in construction due to the economic crisis, the tourism sector continues to be one of the favorite money laundering routes for organized criminal groups.

There are six free trade zones in Bulgaria that are supervised by the Ministry of Finance. The free trade zones are located in Burgas, Vidin, Ruse, Svilengrad, Plovdiv and Dragoman. The goods produced in these zones are exported without duties. Although this is becoming a less common scheme due to

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Bulgaria's European Union (EU) membership, some still believe that free trade zones are used to avoid paying customs fees, especially on gas derivatives and cigarettes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes

Legal persons covered: criminally: NO ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; money exchangers; insurance companies, brokers and agents; investment brokers, dealers, funds and managers; trust and company service providers; notaries, lawyers, auditors, and accountants; gaming businesses; real estate brokers; dealers in precious metals and stones; the postal service; political parties; and sport clubs

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; money exchangers; insurance companies, brokers and agents; investment brokers, dealers, funds and managers; trust and company service providers; notaries, lawyers, auditors, and accountants; gaming businesses; real estate brokers; dealers in precious metals and stones; the postal service; political parties; and sport clubs

Number of STRs received and time frame: 1,380 (January – November 2010)

Number of CTRs received and time frame: 182,332 (January – November 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 83 (2009); 75 (January – October 2010)

Convictions: 18 against 37 people (2009); 15 against 28 people (January – October 2010)

Assets forfeited: criminally: \$10,360,000 (January – October 2010) ***civilly:*** \$500,000 (January – November 2010)

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Bulgaria is a member of the Council of Europe’s Committee of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval), a Financial Action Task Force (FATF)-style regional body. Its most

recent mutual evaluation can be found here:

http://www.coe.int/t/dgh/moneyval/Countrie/Bulgaria_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Bulgaria has undertaken steps to deter financial crimes and continues to maintain the numbers of money laundering prosecutions. In May 2010 the Bulgarian government closed a loophole in reporting requirements by issuing new guidance requiring banks to track previously unreported cash withdrawals. This new guidance came into force in December 2010. The government is also seeking to amend its asset forfeiture law to allow civil asset forfeiture independent of a criminal conviction. The amendments would also expand the scope of the law to allow forfeiture proceedings against third persons and legal entities possessing property acquired through criminal activity. If passed, these changes would greatly speed up the process and make it more difficult for criminals to hide and launder illegal assets.

In March 2010, a trial court convicted six members of a high-profile criminal group for laundering EU assistance funds. The court sentenced the group to a total of 42 years of imprisonment and confiscated property worth approximately \$8.2 million. The money was laundered through a U.S.-registered offshore company and then reinvested in resorts on the Bulgarian sea coast. This is the first case in Bulgaria in which the defendants were convicted of money laundering prior to obtaining a conviction for the predicate crime.

Due to a 2007 restructuring, the Financial Intelligence Directorate (FID), Bulgaria's FIU, is now a directorate within the State Agency for National Security (DANS); it is no longer an individual legal entity with its own budget. The FID has 32 memoranda of understanding with Financial Intelligence Units (FIU)'s from Europe, the Americas, and Australia. Since moving to DANS, the FID has not been authorized to sign any additional or updated memoranda of understanding to exchange financial intelligence with its counterpart FIUs in other countries. Due to DANS' legal requirements, FID's yearend statistics are also no longer released to the public.

Given the size of Bulgaria's financial system and the sophistication of money laundering schemes, staffing in the FID is not commensurate with Bulgaria's money laundering problems. As part of DANS, the FID is not able to fill temporary vacancies and currently Bulgaria only has five individuals conducting onsite inspections. Also, in part due to its staffing shortages, the FID has been criticized for not effectively analyzing the information it receives from reporting entities.

The FID and the Bulgarian National Bank circulate the names of suspected terrorists and terrorist organizations found on the UNSCR 1267 Sanctions Committee's Consolidated List, the list of Specially Designated Global Terrorists designated by the United States pursuant to Executive Order 13224, and those designated by the relevant EU authorities. At the end of 2010, the FID was examining two reports of potentially terrorist-related assets.

Reporting compliance by non-bank financial institutions, especially by exchange bureaus, casinos and notaries, continues to be very low. This can be attributed to numerous factors, including a lack of understanding of, or respect for the legal requirements; lack of inspection resources; and the general absence of effective regulatory control over the non-bank financial sector. The government should systematically track non-bank transactions as well as cross-border electronic currency transactions to prevent Bulgaria from being an entry point to funnel illicit money into the European financial system.

Burkina Faso

Burkina Faso is not a regional financial center. Its economy is primarily cash-based, and most economic activity takes place in the informal sector. Only an estimated six percent of the population has bank accounts. Burkina Faso lacks the resources necessary to protect its borders adequately and to monitor the movement of goods and people. Because the country's borders tend to be largely unregulated, illegal narcotics operations and black market currency exchanges easily flow in an unregulated manner in and out of the country and from one country to another within the region. Regional corruption, a lack of resources, and overburdened and weak judicial and law enforcement systems are also major challenges.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: The Public Treasury, Central Bank of West African States (BCEAO), financial organizations, independent legal professionals involved in financial transactions, auditors, real estate agents, fund transporters, owners of casinos and lotteries, travel agencies, NGOs

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: The Public Treasury, BCEAO, financial organizations, independent legal professionals involved in financial transactions, auditors, real estate agents, fund transporters, owners of casinos and lotteries, travel agencies, NGOs

Number of STRs received and time frame: 40 from January 2009 to November 2010

Number of CTRs received and time frame: 0

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: 0 civilly: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Burkina Faso is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=39&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Central Bank of West African States (BCEAO) is working at the regional level to draft revised anti-money laundering (AML) regulations. Limited resources hamper the Government of Burkina Faso's (GOBF) ability to enforce current AML laws and regulations. The newly created financial intelligence unit (CENTIF) is not yet fully operational and is still working to establish itself as an institution. All six staff members of the CENTIF have been nominated and have started work but lack the training and capacity to fully enforce the law and its attendant regulations.

There is little enforcement and no formal method for tracking the movement of goods and money into and out of the country at border checkpoints or at either of the country's two commercial airports. CENTIF, law enforcement agencies and customs do not have the means and expertise to control the widespread informal monetary and commercial sectors. Informal money exchange and transfers are common and not currently monitored.

Records exchange with countries outside of the WAEMU region is possible via bilateral agreement. The GOBF continued its cooperation with the United States on counterterrorism efforts and also participated in numerous regional efforts to combat terrorism.

Burma

Burma is not a regional or offshore financial center. Its strategic geographic location, prolific drug production, and lack of transparency make it an attractive transit country for money laundering. While its underdeveloped economy is not adequate as a destination to harbor funds, the low risk of enforcement and prosecution make it appealing to the criminal underground. Drug trafficking, human trafficking, and public corruption are major sources of illicit proceeds. Money launderers also exploit the illegal trade in wildlife, gems, and timber, and trade-based money laundering is of increasing concern.

Burma is second only to Afghanistan in opium production, and is increasingly a source of methamphetamine and amphetamine type substances. Its long, porous borders are poorly patrolled. In some remote regions where smuggling is active, ongoing ethnic tensions, and in some cases armed conflict, impede government territorial control. In other areas, political arrangements between traffickers and Burma's ruling military government allow organized crime groups to function with minimal risk of interdiction.

The Government of Burma (GOB) dominates the economy. State-owned enterprises and military holding companies control a substantial portion of Burma's resources. A move toward privatization in 2010 transferred significant assets to private parties; however, most new owners appear to be business associates of the ruling generals, and some are allegedly connected to drug trafficking.

Corruption is endemic in both business and government. Transparency International's 2010 Corruption Perception Index ranked Burma 176 out of 178 countries. This extensive corruption and overall lack of governmental transparency has stymied the GOB's gestures toward financial reforms. The GOB enacted several reforms in the past several years to reduce vulnerability to drug money laundering in the banking

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sector. However, connections to powerful patrons still outweigh rule of law, and Burma continues to face significant risk of drug money being funneled into commercial ventures.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: None

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, customs officials, state-owned insurance company and small loans enterprise, securities exchange, the Andaman Club Resort Hotel (the only licensed money changer) accountants, the legal and real estate sectors and dealers of precious metals and stones

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent evaluation can be found at:

<http://www.apgml.org/documents/docs/17/Myanmar%202008.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money Laundering and Financial Crimes

Burma's financial sector is extremely underdeveloped and most currency is held outside the formal banking system. The informal economy generates few reliable records, and the GOB makes no meaningful efforts to ascertain the amount or source of income or value transfers. The GOB's lack of engagement extends to its financial institutions. Some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency. However, the absence of publicly available GOB information on this issue precludes confirmation of such conduct. Burmese law does not contain any customer due diligence requirements, although some entities follow such procedures under other, non-AML related legal provisions.

Corruption is pervasive in every level of government. Senior military officials are essentially above the law and free to engage in a range of activities designed to enrich themselves and maintain their hold on power. Government workers do not receive a living wage and may seek bribes as additional "compensation." Officials who resist the rampant corruption are impeded by the military's control over all civilian authority, including the police. The GOB should end all policies that facilitate corrupt practices, including strengthening its oversight of the formal financial sector and implementing a transparent transaction reporting regime. The FIU should become a fully funded independent agency that functions without interference, and the GOB should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. The GOB should become a party to the UN Convention against Corruption.

The GOB has the power to freeze accounts without having a basis in law, as all institutions in the country are subordinate to the military. However, Burma's AML measures do not address funds derived from legitimate sources that may be used to finance acts of terrorism. The GOB should enact legislation that specifically criminalizes terrorist financing, designates it as one of the predicate offenses to money laundering, and makes it an extraditable offense. The GOB should also require designated entities to report suspected terrorist financing.

The GOB should strengthen its customs procedures, and authorities should monitor more carefully trade-based money laundering and its use as a counter-valuation for informal economic networks. The GOB should also take serious steps to combat the smuggling of contraband and its link to pervasive governmental corruption.

Burma signed the ASEAN Treaty on Mutual Legal Assistance in Criminal Matters in 2006. However, records exchange, as with most information sharing arrangements involving the GOB, appears to be conducted on an ad hoc basis. The GOB should formalize information sharing arrangements as part of its efforts to integrate into the international community.

Burundi

Burundi is not considered a significant center for money laundering and terrorist financing. The Government of Burundi (GOB) has created anti-money laundering/ counter-terrorist financing (AML/CFT) laws and signed conventions but has yet to commit funding, provide training, implement policies, or demonstrate the political will to counter money laundering. Enforcement of laws in general is hindered by a dysfunctional and corrupt administration and a severe lack of capacity in supervisory, investigative and enforcement bodies. Neither the Financial Crime Unit (FCU) of the Burundian National Police nor the Financial Intelligence Unit (FIU) of the Ministry of Finance has conducted any investigations. Corruption is a significant problem in Burundi and corrupt Burundian politicians are adept at devising methods of laundering Burundian assets abroad, enjoying near impunity of their thefts of public funds.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach to predicate crimes: Not available

Legal persons covered: *criminally:* YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Not available

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Not available

Number of STRs received and time frame: None

Number of CTRs received and time frame: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: criminally: None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Burundi is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Central Bank supervises and examines financial institutions for compliance with AML/CFT laws and regulations. A law requiring banks to report large deposits or transactions to the police is under consideration, but banks and financial institutions are currently not required to report individuals engaging in significant transactions.

There are significant problems that deter effective AML/CFT efforts. Although laws exist, there appears to be little political will to prosecute or commit the resources to investigate crimes, particularly those that could implicate high-level government officials. Burundi is listed 170 out of 178 countries surveyed in

Money Laundering and Financial Crimes

Transparency International's International Corruption Perception Index. Furthermore, Burundian law enforcement officials lack training and expertise in investigating financial crimes. The GOB should develop an oversight capability and provide sufficient resources, funding, and training to the new Financial Intelligence Unit and the Financial Crime Unit. The GOB should ratify the UN International Convention for the Suppression of the Financing of Terrorism and become a party to the UN Convention against Transnational Organized Crime.

Cambodia

Cambodia is neither a regional nor an offshore financial center. Cambodia's fledgling anti-money laundering regime; cash-based, dollarized economy with an active informal banking system; porous borders; loose oversight of casinos; and limited capacity of the National Bank of Cambodia to oversee the fast growing financial and banking industries contribute to a significant money laundering risk.

Cambodia has a significant black market for smuggled goods, including drugs and imported substances for local production of the methamphetamine ATS. Both licit and illicit transactions, regardless of size, are frequently done outside of formal financial institutions, and are difficult to monitor. Proceeds from crime are readily channeled into land, housing, luxury goods or other forms of property. The majority of real estate transactions are done without a registered real estate agent, and buyers and sellers determine the price of the property without reference to an independent valuation system.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; micro-finance institutions; credit cooperatives; security brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals, stones and gems; post office operating payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; non-governmental organizations (NGOs) and foundations doing business and raising funds

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; micro-finance institutions; credit cooperatives; security brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals, stones and gems; post office operating payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; NGOs and foundations doing business and raising funds

Number of STRs received and time frame: 96 (January through October 2010)

Number of CTRs received and time frame: 359,599 (January through October 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: Not available **civily:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Cambodia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Cambodia%20World%20Bank%20DAR%20July%2007.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Cambodia (GOC) has not fully implemented its current AML/CFT legislation, and its list of covered entities is incomplete. The GOC should issue additional decrees, mandating compliance of designated non-financial businesses and professions with the reporting requirements established by the AML/CFT law, and provide training to commercial bankers. Given the high level of corruption in Cambodia, the GOC should also require special due diligence for domestic politically exposed persons (PEPs). Cambodia does not have, and has not offered, a safe harbor provision. The government should propose such a provision in the short term.

By regulation, banks are individually responsible for maintaining and monitoring the list of designated terrorists or terrorist entities; however, the GOC does not distribute the UN lists.

The GOC should also expand the authorities of the Cambodian Financial Intelligence Unit (CAFIU). At present, the CAFIU lacks the power to enforce AML/CFT laws. As a result, few covered entities follow STR reporting guidelines.

While Article 30 of the AML/CFT law provides for the confiscation of property in cases where someone is found guilty of money laundering as stipulated in the penal code, the law is vague, and does not describe a system of asset forfeiture. Cambodia should clearly define the system of asset forfeiture, and establish a regulation to implement the system.

Law enforcement capacity remains quite limited, and is hindered by corruption and a weak investigative and prosecutorial infrastructure. There have been no money laundering prosecutions or convictions since 2007, when two suspects were arrested but not convicted. Elements of the Ministry of Finance, the new Anti-Corruption unit, and the Cambodian National Police are receiving training on complex financial crimes. While the law enforcement training plan is long term and progressive, until the GOC fully

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implements AML/CFT legislation and addresses corruption, Cambodia will remain a high-risk environment for money laundering operations.

Cameroon

A major regional financial center within the context of Central Africa, Cameroon is increasingly involved in international financial transactions. Most financial crimes occurring in Cameroon are derived from domestic corruption and embezzlement rather than external malfeasance. However, instability in neighboring countries has resulted in Cameroon being used as a conduit to move funds from those countries to Europe. Cameroon is not a major narcotics destination. Cameroon's economy is heavily cash dependent and trade-based money laundering is widespread. Cameroon has porous borders and customs enforcement is weak. Cameroon is particularly vulnerable to cross-border bulk currency transactions and to companies transferring money internationally. Laundering money through investment in real estate is a growing problem.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions; money changers; casinos and gaming institutions; notaries; real estate agents; money transfer companies; travel agencies; auditors and accountants; dealers in precious metals and stones, works of art, and automobiles

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions; money changers; casinos and gaming institutions; notaries; real estate agents; money transfer companies; travel agencies; auditors and accountants; dealers in precious metals and stones, works of art, and automobiles

Number of STRs received and time frame: 124 in 2010

Number of CTRs received and time frame: More than 2 million in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Cameroon is not a member of a Financial Action Task Force (FATF)-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2010, the National Financial Investigations Agency (ANIF), Cameroon's financial intelligence unit (FIU), became a member of the Egmont Group.

As a member of the Economic and Monetary Community of Central African States (CEMAC), Cameroon shares a regional central bank (Bank of the States of Central Africa – BEAC) with other member countries. Within CEMAC, there is the Banking Commission of Central Africa (COBAC) and the Action Group against Money Laundering in Central Africa (GABAC). Although there is no recognized FSRB in the region, GABAC is working with banks and member states to ensure implementation of international FATF recommendations through two formalized relationships. GABAC works directly with the ANIF in each member state. GABAC also engages with all banking institutions to urge them to become members of COBAC and then ensures that the banks are implementing and enforcing due diligence procedures, as outlined in the international standards.

The Government of Cameroon (GRC) should work with BEAC, COBAC, and the ANIF to fully develop and implement applicable regulations to establish a complete anti-money laundering/counter-terrorist financing regime that adheres to international standards. These same agencies should also provide training and outreach to covered entities regarding their legal requirements and obligations. ANIF should work to improve coordination with law enforcement and judicial authorities, with the objective of enhancing investigations and obtaining convictions, including tracking law enforcement statistics. The GRC should work to mitigate its vulnerabilities, including enacting cross-border currency reporting requirements and training its agents at points of entry in the identification and interdiction of cash smuggling. The Ministry of Justice should begin tracking cases more closely and providing closer cooperation with ANIF to improve STR information gathering. There is a lack of money laundering prosecutions and convictions. The Ministry of Justice should explore training needs for prosecutors and magistrates.

Canada

Money laundering in Canada is primarily associated with drug trafficking and financial crimes, particularly those related to fraud. With roughly \$1.4 billion in trade crossing the United States and Canadian borders each day, both governments share concerns about illicit cross-border movements of currency, particularly the proceeds of drug trafficking. Organized criminal groups are involved in drug trafficking, contraband smuggling, illegal arms sales, migrant smuggling and white-collar crimes. The Criminal Intelligence Service Canada estimates that over 900 organized crime groups operate in Canada, with the vast majority involved in the illicit drug trade.

There are no free trade zones or offshore financial institutions. Money laundering generally occurs through the following methods: smuggling; money service businesses and currency exchanges; casinos; purchase of real estate; wire transfers; establishment of offshore corporations; credit cards, stored value cards and new payment methods. Criminals have also used internet payments or gold bullion to move funds.

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Casinos now are required to report large disbursements and suspicious transactions. In 2010, the first year of reporting, 43,752 casino disbursement reports were filed. Alternative remittance systems, such as hawala, hundi, and chitti are also required to report.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: NO ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; credit unions; life insurance companies; trust and loan companies; brokers/dealers of securities; foreign exchange dealers; money services businesses; sellers and redeemers of money orders; accountants; real estate brokers; casinos; lawyers; notaries (in Québec and British Columbia only) and dealers in precious metals and stones

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: banks; credit unions; life insurance companies; trust and loan companies; brokers/dealers of securities; foreign exchange dealers; money services businesses; sellers and redeemers of money orders; accountants; real estate brokers; casinos; lawyers; notaries (in Québec and British Columbia only) and dealers in precious metals and stones

Number of STRs received and time frame: 64,240 April 2009 through March 2010

Number of CTRs received and time frame: 6,868,506 April 2009 through March 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 211 April 2005 through March 2006

Convictions: Ten April 2005 through March 2006

Assets forfeited: criminally: \$17.5 million ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Canada is a member of the Financial Action Task Force (FATF) as well as the Asia/Pacific Group on Money Laundering (APG), and is a supporting nation of the Caribbean Financial Action Task Force

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(CFATF). Both APG and CFATF are FATF-style regional bodies. Canada's most recent published mutual evaluation can be found here:

http://www.fatf-gafi.org/document/58/0,3343,en_32250379_32236963_40199098_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Lawyers in several provinces have successfully challenged the applicability of the AML law to them based upon common law attorney-client privileges, therefore, lawyers are not completely covered by the AML provisions.

The United States and Canada signed a memorandum of understanding (MOU) in November 2010 to track the movement of illicit currency by sharing data on currency seized at the border. The MOU will significantly enhance the ability of law enforcement officers in both countries to investigate and track illicit cash movements and disrupt the flow of funds that support the activities of criminals and terrorists.

Money laundering offenses have a higher threshold for prosecution and conviction than the offense of benefiting from the proceeds of crime. Criminals appear willing to forfeit assets and plead guilty to lesser charges to avoid prosecution under AML and proceeds of crime statutes.

While the law provides sufficient powers to Canadian law enforcement to pursue money launderers, the budget for relevant law enforcement authorities has not increased; additional resources could increase the effectiveness of existing laws. Provincial and federal statistics should be tracked jointly. Appropriately tracking these cases could reveal a more robust rate of money laundering related convictions.

Canada should continue oversight and increase follow-up of the relatively new AML/CFT measures within the casino industry; reduce the length of time needed for FINTRAC to prepare reports used by law enforcement authorities (average number of days for a report dropped from 82 to 68 from 2009-2010); and maintain the monitoring of the money services business registry. Canada also should continue to ensure its privacy laws do not excessively prohibit provision of information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

Cape Verde

As a small archipelago nation off the west coast of Africa, Cape Verde is not known as a regional financial center. Nevertheless, given its location between Latin America and Africa, its significant coastline, and a large shadow economy, Cape Verde remains vulnerable to money laundering operations and terrorist financing. At present, the vast majority of laundered proceeds come from narcotics trafficking.

While the government of Cape Verde has demonstrated a strong political commitment to combat both money laundering and terrorist financing, more needs to be done to investigate and prosecute cases in a timely, consistent manner. The main government entities searching for money laundering and terrorist financing are understaffed and could respond if Cape Verde were to become a true destination for laundered or terrorist-related funds.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

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“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; money exchangers; accountants and fiscal consultants; notaries; insurance companies; lawyers; real estate or property brokers; dealers in precious metals, stones and vehicles; gaming centers; and securities dealers

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; money exchangers; accountants and fiscal consultants; notaries; insurance companies; lawyers; real estate or property brokers; dealers in precious metals, stones and vehicles; gaming centers; and securities dealers

Number of STRs received and time frame: 52 in an unknown timeframe

Number of CTRs received and time frame: 0

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: *criminally:* 0 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Cape Verde is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found at: www.giaba.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources hamper the government’s ability to enforce AML regulations. The Financial Information Unit (FIU) lacks both financial and human resources to support basic functioning. In particular, the FIU has a restrictive budget, shared facilities, and a part-time staff. Law enforcement and customs have little experience with financial crimes enforcement. These constraints limit Cape Verde's ability to respond to existing cases of money laundering and to deter future use of local entities for laundering purposes.

Cayman Islands

The Cayman Islands, a United Kingdom (UK) Caribbean overseas territory is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to fraud and drug trafficking. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdiction.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of December 2010, the banking sector had \$1.73 trillion in assets. There were approximately 245 banks, 150 active trust licenses, 738 captive insurance companies, eight money service businesses, and more than 85,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority (CIMA), at year end 2010, there were approximately 9,400 mutual funds. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

Gambling is illegal; and the Cayman Islands do not permit the registration of offshore gaming entities. There are no free trade zones and the authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock at the island.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

Number of STRs received and time frame: 308 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Eight 2003 - 2010

Convictions: Six 2003 - 2010; only one since 2006

Assets forfeited: *criminally:* Approximately \$6 million *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the country has increased both its regulatory and law enforcement staffing, the number of prosecutions and convictions is extremely low given the vast scale of the country's financial sector; only six successful prosecutions for money laundering, and only one in the last four years.

Private trust companies and individuals who carry on trust businesses or act as trustees are exempt from licensing requirements and the AML requirements. In addition, the lack of penalties for failing to report ownership and identity information undermines the effectiveness of these obligations. This is a problem in particular for an estimated 3,000 unregulated mutual funds resident in the Cayman Islands. In addition, there appear to be no requirements for companies, trusts and partnerships to retain records for at least five years.

The Cayman Islands should continue to computerize various registrations, such as those for mutual funds. There is a need to pay greater attention to the risks and proper supervision of non-profit organizations.

In January 2010, an anti-corruption law took effect which criminalizes bribery and formalizes international cooperation. Amendments to the Criminal Justice (International Co-operation) Act were passed in February 2010. These laws provided measures for investigation, prosecution and confiscation of the proceeds of all serious crimes and broadened international assistance to include not only drug trafficking but all serious crimes, including official corruption and other types of transnational crime.

In 1986, the United States and the United Kingdom signed a Mutual Legal Assistance in Criminal Matters Treaty (MLAT) concerning the Cayman Islands. By a 1994 exchange of notes, Article 16 of that treaty has been deemed to authorize asset sharing between the United States and the Cayman Islands.

The Cayman Islands is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Cayman Islands' international affairs and may arrange for the ratification of any Convention to be extended to the Cayman Islands. The 1988 Drug Convention was extended to the Cayman Islands in 1995 and is implemented through several laws. The UN Convention against Corruption and the UN Convention against Transnational Organized Crime have not yet been extended to the Cayman Islands. However, the full implementation platform for the anti-corruption convention exists under current Cayman law. A 2002 request for extension of the International Convention for the Suppression of the Financing of Terrorism to the Cayman Islands has not yet been finalized by the UK, although the provisions of the Convention also are implemented by domestic laws.

Chad

Chad is not a regional financial center. It is largely a cash economy with minimal transactions passing through financial institutions. The lack of sophisticated financial products makes the country relatively unattractive to money launderers and terrorist financiers. There is little indication of money laundering or terrorist financing within Chad although government officials are aware of the threat and desire stronger legal tools to address it. Corruption is a significant problem in Chad.

Chad has several different types of smuggling. Along the borders that surround the lower two-thirds of the country, the smuggled goods market consists largely of basic foodstuffs, cigarettes, fuel, and household items smuggled to avoid import duties. Across the country's northern third, which is sparsely populated and transected by historic Sahelian trade routes, smuggled items are generally more illicit, including drugs and weapons. These items generally transit Chad and are not destined for domestic use.

Since the smuggled household goods are for domestic use in a cash economy and the country does not have a significant domestic illegal drug problem, there is no indication that this market is financed by proceeds from narcotics or other illicit activities. Similarly, end users for smuggled drugs and weapons are not domestic, and proceeds of these activities do not enter Chad's financial system.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: **criminally:** YES **civilly:** NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Commercial banks

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Commercial banks

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: **criminally:** Not available **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Chad is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Chad is a member of the six-country Central African Economic and Monetary Union (CEMAC). Within CEMAC, there is the Banking Commission of Central Africa (COBAC) and the Action Group against Money Laundering in Central Africa (GABAC). Although a FATF-style regional body does not cover the region, GABAC is working with banks and member states to ensure implementation of international standards through two formalized relationships. GABAC works directly with the National Financial Investigative Agency (ANIF) in each member state. GABAC also engages with all banking institutions to urge them to become members of COBAC and then ensures the banks are implementing and enforcing due diligence procedures, as outlined in the international standards.

Chad ranks 171 out of 178 countries surveyed in Transparency International's 2010 Corruption Perception Index. Law enforcement and customs need training in financial crimes enforcement. Chad should become a party to the UN Convention against Corruption.

Chile

Chile has a large and well-developed banking and financial sector with an established anti-money laundering/counter-terrorism financing (AML/CFT) regime. Systematic vulnerabilities in Chile's regime include stringent bank secrecy laws and relatively new regulatory institutions in which oversight gaps remain. The Government of Chile (GOC) is actively seeking to turn Chile into a global financial center, but not an offshore financial center. Chile has free trade agreements with more than 50 countries. Increased trade and currency flows, combined with an expanding economy, could attract illicit financial activity and money laundering.

Chile's largely unregulated free trade zones present an additional vulnerability, given the country's extensive trading partnerships and long, difficult to monitor borders. Illicit proceeds from limited drug trafficking and domestic consumption are laundered in the country.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

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Covered entities: Banks (checking but not savings accounts) and other financial institutions, credit unions, pension funds, mutual fund administrators, brokers and dealers, leasing and factoring companies, credit card issuers and operators, insurance companies, insurance brokers

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; savings and loan associations; financial leasing companies; general, mutual funds and investment funds managers; pension fund administration companies; the Foreign Investment Committee; money exchange firms and other entities authorized to receive foreign currencies; factoring firms; credit card issuers and operators; money transfer and transportation companies; stock exchanges; stock exchange brokers; securities companies and agents; insurance companies; forwards and options markets operators; tax-free zones' legal representatives; casinos; gambling houses and horse tracks; customs general agents; auction houses; realtors and land developers; notaries and registrars; and sports clubs

Number of STRs received and time frame: 617 (January through September 2010)

Number of CTRs received and time frame: 1,027 (January through June 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 34 (January through September 2010)

Convictions: Seven (January through September 2010)

Assets forfeited: *criminally:* \$184,773.87 (January through September 2010) *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Chile is a member of the Financial Action Task Force of South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/microsite/index.htm>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Chile's "list" approach only includes some of the recommended predicate offenses for money laundering. Chile has yet to widen the scope of the money laundering offense to apply it to crimes such as trafficking in persons, intellectual property rights violations, and extortion.

It is not common for all sectors of the financial system to be obliged to retain customer information for five years after the account was closed or the commercial relationship ended. Separately, there is no clear definition of politically exposed person (PEP). Existing laws do not clearly establish that STRs need to be submitted for the financing of terrorism or for the attempt to conduct a suspicious transaction even though the actual transaction is not realized/finalized. In addition the current legislation does not expressly specify that the UAF (Chilean financial intelligence unit) has competency to receive STRs related to the financing of terrorism.

The most significant obstacle to money laundering investigations is bank secrecy. The General Banking Law places all types of bank deposits and obligations under banking secrecy, and only allows banking institutions to share information about such transactions with the depositor or creditor (or an authorized

legal representative). Law 707 states banks may not share information about the movement and balances in a current account with a third party. Due to these legal restrictions, banks do not share information with prosecutors without a judicial order. Some banks and their compliance officers aggressively apply rigorous, international AML/CFT standards, but they are restricted to simply reporting suspicious activity and then waiting for the appropriate court authorization to release any private information. Other banks are slow to reply to court orders to provide prosecutors with additional information. Judges can detain the bank's general manager until all information is disclosed, but this tool is rarely used. In December, 2009, a legislative reform allowed tax authorities access to bank information without a judicial order under certain circumstances.

Chile's anti-money laundering efforts continue to mature. At the same time, the GOC can still do more to investigate complex money laundering schemes, such as trade-based money laundering. Law No. 20,393, which entered into force in December 2009, makes it a crime for corporations to engage in money laundering, as well as bribe public officials and finance terrorism.

The GOC can improve its AML/CFT regime by: expanding the list of predicate crimes for money laundering to include all serious crimes; establishing regulatory control over non-bank institutions such as money exchange houses and charities; expanding customer due diligence requirements to cover all recommended entities and mandating enhanced due diligence procedures for politically exposed persons; and passing the draft law currently pending in the Senate to allow for the lifting of bank secrecy and the freezing of assets to bring Chile closer to compliance with its UNSCR 1267 obligations and international standards.

China, People's Republic of

China is a major global financial center, with a rapidly growing economy and increased integration in the international market. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Money is generally laundered through bulk cash smuggling, trade-based fraud (over/under pricing of goods, falsified bills of lading and customs declarations, counterfeit import/export contracts), and both the formal and underground banking systems. The use of cash-intensive, non-financial sectors such as real estate has increased, as has the use of e-currency, online exchanges, and the exploitation of investment vehicles such as forward exchange rate contracts and financial derivatives.

Most money laundering cases currently under investigation involve funds obtained from corruption and bribery. Proceeds of tax evasion, recycled through offshore companies, often return to China disguised as foreign investment and, as such, receive tax benefits. Chinese officials have noted that most acts of corruption in China are closely related to economic activities that accompany illegal money transfers. Chinese authorities have observed that the increase in AML efforts by banks has been accompanied by increased laundering through the underground banking system and trade fraud. Value transfer via trade goods, including barter exchange, is a common component in Chinese underground finance. Many Chinese underground trading networks in Africa, Asia, the Middle East, and the Americas participate in the trade of Chinese-manufactured counterfeit goods.

China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, regional, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 coastal cities and over 100 designated development zones. It is not a major offshore financial center.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, securities dealers, insurance companies

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, securities dealers, and insurance companies

Number of STRs received and time frame: 42,933,226 in 2009

Number of CTRs received and time frame: China does not separate STRs and CTRs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 10,674 in 2009

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

China is a member of the Financial Action Task Force (FATF), as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies (FSRB). Its most recent mutual evaluation can be found here:

<http://www.fatf-gafi.org/dataoecd/33/11/39148196.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of China (GOC) has strengthened the legal framework for its overall AML/CFT regime, notably by clarifying the suspicious transaction reporting obligations of Chinese banks and by increasing the number of money laundering investigations, prosecutions, and convictions. However, even though it is mandatory, the courts do not systematically pursue the confiscation of criminal proceeds, which undermines any disincentive to commit the crime. The GOC should ensure that all courts are aware of the mandatory confiscation laws, and ensure uniform implementation.

China's terrorist financing legislation has significant gaps, including the inability to freeze terrorist assets without delay. China should enact comprehensive terrorism and terrorist financing legislation and create

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a mechanism to freeze terrorist assets without delay. China should also enhance coordination between its financial regulators and law enforcement bodies to better investigate and prosecute offenders.

Chinese financial regulators have made progress in recent years in applying AML/CFT controls to China's developing financial system; however, enforcement efforts need strengthening to keep pace with the sophistication and reach of criminal and terrorist networks.

The GOC has become more open to working across borders on money laundering and terrorist financing investigations. However, U.S. law enforcement agencies note that the GOC has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. The GOC should expand cooperation with counterparts in the United States and other countries and pursue international linkages in AML/CFT efforts more aggressively. U.S. agencies have continued to seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this critical area.

Colombia

The Government of Colombia (GOC) is a regional leader in the fight against money laundering. The GOC has a forceful anti-money laundering/counter-terrorist financing (AML/CFT) regime. However, the laundering of money from Colombia's illicit cocaine and heroin trade continues to penetrate its economy and affect its financial institutions. Both drug and money laundering organizations use a variety of methods to repatriate their illicit proceeds to Colombia. These methods include the Black Market Peso Exchange, trade based value transfer, bulk cash smuggling, *reintegro* (wire transfers), remittances, smuggled merchandise (contraband) and more recently, electronic currency and prepaid debit cards.

In addition to drug-related money laundering, laundered funds are also derived from commercial smuggling for tax and import duty evasion, kidnapping, arms trafficking, and terrorism connected to violent, illegally-armed groups and guerrilla organizations. Further, money laundering is carried out to a large extent by U.S. Government-designated terrorist organizations. Criminal elements have used the banking sector, including exchange houses, to launder money. Money laundering also has occurred via trade and the non-bank financial system, especially related to transactions that support the informal or underground economy. The trade of counterfeit items in violation of intellectual property rights is an ever increasing method to launder illicit proceeds. Casinos, free trade zones and the postal money order market in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency. Although corruption of government officials remains a problem, its scope has decreased significantly in recent years.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries, credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, and foreign currency traders

Enhanced due diligence procedures for PEPs: **Foreign:** Not available **Domestic:** Not available

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries, credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, and foreign currency traders

Number of STRs received and time frame: 9,600 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 408 investigations and/or prosecutions in 2009

Convictions: 54 in 2009

Assets forfeited: **criminally:** Approximately \$1.3 million in 2009 **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Colombia is a member of the Financial Action Task Force (FATF) of South America (GAFISUD) a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/home.htm>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the Black Market Peso Exchange (BMPE), goods from abroad, particularly the United States, are bought with drug dollars. Many of the goods are either smuggled into Colombia or brought directly into Colombia's customs warehouses, thus avoiding various taxes, tariffs and legal customs duties. In other trade-based money laundering schemes, goods are over-or-under invoiced to transfer value. Reportedly, evasion of the normal customs charges is frequently facilitated by the drug and money laundering groups corrupting Colombian oversight authorities.

To help combat BMPE and other financial crimes, in 2005, a Colombian-based trade transparency unit (TTU) was created by U.S. Immigration and Customs Enforcement to analyze, identify and investigate companies and individuals involved in trade-based money laundering activities between Colombia and the United States. In the past year, the Colombian TTU has worked to enhance the quality and quantity of trade data shared, expanding its investigative capacity.

While the Colombian financial system has banking controls and governmental regulatory processes in place, it is reported that drug and money laundering groups have influenced high level bank officials in

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order to circumvent both established anti-money laundering controls and government regulations. Official corruption has also aided money laundering and terrorist financing in geographic areas controlled by the Revolutionary Armed Forces of Colombia (FARC).

According to the Prosecutor General's Office, 236 people were arrested in 2009 for money laundering crimes connected to drug trafficking, terrorism, and other felonies. The GOC cooperates extensively with U.S. law enforcement agencies to identify, target and prosecute groups and individuals engaged in financial and drug crimes. Colombia is working with other member countries of GAFISUD to develop a common PEP standard and to share its PEP list with other financial intelligence units.

The Colombian government regularly carries out asset seizure operations against a myriad of drug trafficking and other criminal organizations throughout Colombia. Freezing assets is very quick and efficient under Colombian law, while forfeiture can take between 1-3 years. The biggest difficulty in Colombia is administering seized assets. The National Drug Directorate (DNE) – as a legal institution – lacks the technical expertise to administer seized assets. The proceeds from asset seizures or forfeitures are by law used to fund various projects, such as the construction of new high-security prisons, low-income government housing, or specific educational initiatives. However, many assets have lost their value over time due to poor administration, and the National Drug Directorate (DNE) has been unable to conduct studies to evaluate and monitor the impact of its efforts.

Colombian law is unclear on the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee consolidated list. In addition to the UN lists, banks also monitor the Office of Foreign Assets Control's publication of Specially Designated Narcotics Traffickers, pursuant to Executive Order (EO) 12978, and the Foreign Narcotics Kingpin Designation Act, and Specially Designated Global Terrorists, pursuant to E.O. 13224.

Comoros

The Union of the Comoros (Comoros) consists of three islands: Ngazidja (Grande Comore), Anjouan and Moheli, and claims a fourth (Mayotte), which France governs. Although Comoros lacks homegrown narcotics, the islands are used to transit drugs, mainly from Madagascar and continental Africa. Comoros is not a financial center for the region. The fact the Comoran financial system is relatively underdeveloped minimizes the risk of some ML activities. Neither Union nor island government authorities have the means to estimate the income gained from predicate offenses committed within the country. Nevertheless, due to the low level of development in Comoros, illicit income seems to have been limited compared to the sums generated in other countries. The main income-producing predicate offenses seem to be narcotics trafficking, migrant smuggling, and corruption.

Comoros has introduced a number of measures to establish an anti-money laundering/combating the financing of terrorism (AML/CFT) regime. However, the legal framework has many shortcomings and is generally not effectively implemented. Generally, Comoros is not in compliance with international standards. A grossly inadequate budget, dysfunctional ministries, and a nonfunctioning judiciary limit effectiveness of Comoran AML/CFT efforts, despite apparent high-level political support.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and designated non-financial businesses and professions (DNFBP)

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and DNFBPs

Number of STRs received and time frame: None

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Comoros is not a member of a FATF-style regional body but is an observer of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). No mutual evaluation has been done of Comoros.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A financial intelligence unit (FIU) was authorized in 2008, and a March 2009 ordinance expanded the scope of the AML/CFT preventive measures and covered the financing of terrorism. However, there have been no investigations or convictions for money laundering or terrorist financing.

The recent enactment of a law on economic citizenship might be attractive to criminals. The authorities have indicated they have implemented strict control measures intended to prevent abuses, but concerns regarding the possible misuse of this arrangement for criminal purposes do remain.

Thus far, most institutions subject to the law have not yet put AML/CFT policies and procedures in place. Although the Central Bank has begun to monitor implementation of the AML/CFT preventive measures, limited resources hamper the government's ability to enforce the AML regulations, and local institutions and personnel lack the training and capacity to fully enforce the law. Comoran government security forces have limited resources and training in money laundering, counter-terrorist financing and maritime security.

Congo, Democratic Republic of

The Democratic Republic of Congo (DRC) is not considered a regional financial center. The DRC's economy remains highly dollarized, and its parallel foreign exchange market is large and tolerated by the government. There is a preponderance of fiduciary/paper currency in all financial transactions. The DRC does not have any areas designated as free trade zones or have any free ports.

Due to its large geographic size, lack of a functional judicial system and dominant informal sector, the DRC is particularly vulnerable to money laundering. The DRC covers an area of almost 1 million square kilometers (400,000 sq. mi), and has 7,000 km of porous borders with nine countries. Administration of the country is weak because of its vast geographic territory and dilapidated infrastructure, among other challenges. Most economic activity in the DRC takes place in the informal sector, estimated to be up to ten times the size of the formal sector, with most transactions, even those of legitimate businesses, carried out in cash. The accurate reporting of revenues is thus very difficult. Major sources of money laundering in the DRC include illegal import/export activities, customs and tax fraud, tax evasion, misappropriation of public funds, exploitation of minerals and other valuable materials, casinos, the sale of prohibited products and services, and chronically low wages which force people to resort to bribery. Money laundering in the DRC is neither primarily nor significantly related to narcotics proceeds.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S., OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Congolese Central Bank (BCC), banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, members of independent legal professions, real estate agencies, funds conveyors, travel agencies, auditors, certified public accountants, external auditors, tax consultants, sellers of art, antiques and precious stones

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Congolese Central Bank (BCC), banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock

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exchange market operations, gaming companies, notaries, members of independent legal professions, real estate agencies, funds conveyors, travel agencies, auditors, certified public accountants, external auditors, tax consultants, sellers of art, antiques and precious stones

Number of STRs received and time frame: 0

Number of CTRs received and time frame: 0

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

The DRC is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS

The Government of the Democratic Republic of the Congo (GDRC) passed legislation in July 2004 criminalizing money laundering and terrorist financing. Banks and non-banking financial institutions are required to report all transactions over \$10,000. Banks find this requirement burdensome, since 90 percent of transactions using the banking system meet this threshold. New computerized communications and accounting networks have been installed in banks, which will make it easier to trace formal financial transactions. In September 2008, the GDRC established a Financial Intelligence Unit (CENAREF) to combat money laundering and misappropriation of public funds. CENAREF is responsible for collecting and analyzing information on money laundering and terrorist financing cases. CENAREF also investigates persons accused of money laundering and terrorist financing, conducts periodic studies on these subjects and advises the GDRC on how to combat money laundering related crimes. However, limited resources hamper the government's ability to implement and enforce anti-money laundering regulations, and local institutions and personnel lack training and capacity to fully enforce the law and its attendant regulations. Lack of funding continues to prevent CENAREF from fully carrying out its responsibilities. Inefficient and burdensome customs and tax policies, a weak judicial system and widespread corruption also negatively impact enforcement. The DRC is ranked 164 out of 178 countries surveyed in Transparency International's 2010 International Corruption Perception Index.

The DRC should become a party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime.

Congo, Republic of

The Republic of the Congo (ROC) is not a regional financial center. The Bank of Central African States (BEAC) -- the regional Central Bank of the Economic and Monetary Community of Central African States (CEMAC) to which the ROC belongs -- supervises the Congo's banks. The state of the country's financial institutions remains weak following the Congo's period of civil unrest in the 1990s and early 2000s, resulting in limited bank loans and infrequent issuances of new bank licenses.

The ROC strengthened its laws against money laundering in 2007. As a member of the CEMAC, the country adopted the regional community's April 2007 regional anti-money laundering/counter-terrorist

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financing (AML/CFT) regulations. These rules establish penalties of both fines and imprisonment for money laundering and terrorist financing, and also regulate the operations of banks, money changers, and casinos.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, money exchangers, accountants, notaries, thrifts and money remitters

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, money exchangers, accountants, notaries, thrifts and money remitters

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Republic of the Congo is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A 2008 Presidential decree called for the creation of a National Financial Investigation Agency (ANIF). Due to delays the agency was not created until mid-2010. ANIF's operations are not yet fully functional. Similar offices to ANIF were created in Cameroon and Gabon. The Central African Republic, Chad and Equatorial Guinea are also expected to create equivalent agencies. In partnership with the Congo and within the regional framework of GABAC, each of the national agencies is expected to coordinate anti-money laundering and counter-terrorist financing activities. Pursuant to the decree that established the

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agency, ANIF is financially independent and its budget is derived from three sources: the ROC national budget, CEMAC institutions, and development partners. Although the agency is financially autonomous, ANIF is under the supervision of the Minister of Finance. Consequently, the objectiveness and independence of the new agency could be hampered. Efforts should be made to strengthen the expertise of law enforcement, customs, prosecutorial and judicial authorities in financial crimes. The Republic of the Congo should continue to work with the CEMAC and regional partners to strengthen its AML/CFT efforts.

Within CEMAC, there is the Banking Commission of Central Africa (COBAC) and the Action Group against Money Laundering in Central Africa (GABAC). Although there is no recognized FATF-style regional body in the region, GABAC is working with banks and member states to ensure implementation of international FATF recommendations through two formalized relationships. GABAC works directly with the National Financial Investigative Agency (ANIF) in each member state. GABAC also engages with all banking institutions to urge them to become members of COBAC and then ensures that the banks are implementing and enforcing due diligence procedures, as outlined in the international standards.

Cook Islands

The Cook Islands is not a regional financial center and has no free trade zones. The Cook Islands substantial offshore financial sector is an important part of the country's economy, but also represents its most significant vulnerability to money laundering and terrorist financing activities. The Government of the Cook Islands (GOCI) has taken steps to reduce the risks presented by both the offshore sector and its small domestic financial sector. The GOCI has significantly enhanced supervision of both sectors in the past three years, including the performance of annual on-site examinations of all domestic and offshore financial institutions.

The large offshore financial sector developed from legislation enacted in the early 1980s, which allowed the operation of international companies and trusts, including offshore banks and insurance companies. All offshore business conducted from the Cook Islands must be channeled through registered trustee companies. Currently there are six registered trustee companies and four international banks. One of the domestic banks also has an international license. The industry provides a wide range of trustee and corporate services to offshore investors with a tax rate for all offshore entities of zero, guaranteeing tax neutrality.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: banks (domestic and offshore), offshore insurers and trustee companies

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: banks (domestic and offshore), offshore insurers and trustee companies

Number of STRs received and time frame: 58

Number of CTRs received and time frame: 1,845

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Cook Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.apgml.org/documents/docs/17/Cook%20Islands%20MER-%20final%20140809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Cook Islands has a generally well-supervised financial industry. Large cash transactions involving locally generated funds are immediately apparent, and suspicious transactions are reported to the CIFIU for further review. The proceeds of domestic crime are generally small. There is evidence of concealment stemming from drug and misappropriation cases, with total proceeds that are significant relative to the size of the economy.

The Cook Islands tightened its legislation and regulations to more closely reflect international standards. GOCI officials note that the remaining money laundering and terrorist financing risks stem from the lower Know Your Customer (KYC) standards and the provision of false information to Cook Islands financial institutions by businesses and customers in other jurisdictions, particularly in Asia.

The Cook Islands should become party to the UN Convention against Corruption, and ensure that the UN lists of designated terrorists or terrorist entities are distributed to financial institutions regularly.

Costa Rica

While Costa Rica is not a major regional financial center, it remains vulnerable to money laundering and other financial crimes. Illicit proceeds from fraud, trafficking in persons, arms, narcotics trafficking (mainly cocaine), and corruption are laundered in Costa Rica. To a limited extent, money laundering/terrorist financing occurs across the formal financial sector, within the free trade zones (FTZs), and in the non-bank financial system. Costa Rica has 33 FTZs, used by approximately 270 companies. In addition, Costa Rica has a sizeable internet gaming industry which in practice is almost unregulated. While local criminals are active, the majority of laundered criminal proceeds derive from foreign criminal activity. Costa Rica does not have a significant market for smuggled goods, however, criminal organizations involved in fraud, trafficking in persons, arms, narcotics trafficking, and corruption are known to utilize the international trade system to move and launder their criminal proceeds.

The Government of Costa Rica (GOCR) reports that Costa Rica is primarily used as a bridge to send funds to and from other jurisdictions using, in many cases, companies or banks established in offshore financial centers. Nicaraguans residing in Costa Rica send approximately \$200 million in remittances annually to family members in their home country, much of which is sent via unlicensed money remitters. These unregulated businesses are a significant risk for money laundering and a potential mechanism for terrorist financing.

Costa Rica has demonstrated a genuine commitment to strengthening its anti-money laundering/counter-terrorist financing (AML/CFT) regime. As a result of a law passed in 2009, in 2010 Costa Rica continued implementing new regulations directed at combating money laundering, terrorist financing, and organized crime. Costa Rica also created a new National Anti-Drug Commissioner position that is responsible for monitoring and evaluating the GOCR's policies and plans to combat money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and savings and loan cooperatives; pension funds; money exchangers or remitters; investment fund and safekeeping companies; credit institutions; issuers, sellers or redeemers of travelers checks and postal money orders; and securities dealers

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and savings and loan cooperatives; pension funds; money exchangers or remitters; fiduciary trust, investment fund and safekeeping companies, and asset managers; credit institutions; issuers, sellers or redeemers of travelers checks and postal money orders; securities dealers; and real estate agents

Number of STRs received and time frame: 304 from January to December 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Ten - January through October 2010

Assets forfeited: criminally: \$9,693,214.00 in FY2010 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

In December 2010, the Financial Action Task Force of South America (GAFISUD) admitted Costa Rica as a member, formally marking its departure from the Caribbean Financial Action Task Force (CFATF). Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money laundering cannot be charged as an additional offense to the predicate crime (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). In addition, criminal liability does not extend to legal persons.

There are over 250 Internet sports book companies registered to operate in Costa Rica. The industry transacts approximately \$12 billion annually and employs 10,000 people. This industry in practice is almost unregulated. The FIU reports that Costa Rican attorneys oftentimes conduct cash purchases of real estate on behalf of persons located in the U.S. The FIU has had significant difficulties verifying the identity and source of funds for those purchases.

The FIU does not directly receive cash transaction reports (CTRs). Each supervisory entity that receives CTRs holds them unless it determines that further analysis is required or the FIU requests the reports. Costa Rica fully cooperates with appropriate United States government law enforcement agencies investigating financial crimes related to narcotics and other crimes. Additionally, Costa Rica has a tax information exchange agreement with the U.S.

Law 8719 authorizes the FIU to administratively freeze assets or accounts that are subject to an ongoing money laundering or narcotics investigation by the host government authority without a prior Court order (a judicial order must be obtained within 5 days after the seizure). This provision was used in several money laundering cases involving bulk cash smuggling during 2010. Although the GOCR enacted a provision to allow for civil forfeitures in 2009, no case has been pursued by prosecutors. The prosecutors state they have been reluctant to try cases under this law, because they fear these cases will not hold up in court. Based on the non-use of this provision, it is unclear whether the GOCR will assist other countries in obtaining non-conviction-based forfeiture.

Several pieces of real property were identified and frozen by the U.S. Office of Foreign Asset Control (OFAC) owned by a Colombian National that resides in Costa Rica and uses his farms to launder funds for the FARC. This subject and his property were named as a second tier in the King-Pin Act with money laundering ties to the FARC. Shortly after the OFAC report was publicized in Costa Rica the subject fled Costa Rica and returned to Colombia.

Croatia

Croatia is not considered an off-shore financial center. Croatian authorities consider most money laundering in the country to be of domestic origin, involving the proceeds of illegal domestic narcotics sales and economic crimes, such as fraud and tax evasion. Although Croatia is part of a major transit route for drugs entering Europe, there is little evidence that these networks have utilized Croatia's financial systems. Public corruption has been linked to money laundering, but no proof of the association exists. Alleged money laundering connected to public corruption has not, however, been linked to terrorist financing. Money laundering in Croatia occurs primarily through non-resident accounts,

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transfers to off-shore banks using counterfeit documents, and deposits on foreign currency accounts, and has often been linked to the real estate market and the purchase of high-end automobiles.

Croatia does not represent a sizeable market for smuggled goods, but is used as a transit route for goods destined for other countries in the region. There is not a significant black market in Croatia. There is no indication that trade-based money laundering exists in Croatia.

Croatia has 15 free trade zones, 13 of which are presently in operation. Companies operating in the zones benefit from lower taxes and customs and value-added free import of input materials. Companies operating in free trade zones are subject to the same regulation and supervision as all other businesses in the country.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, finance companies, and financial leasing entities; savings banks; credit unions; companies performing payment option services; the Croatian Post Office; investment fund managers, guarantors, and asset managers; pension companies; insurance companies and intermediaries; companies dealing with the issuance of electronic money; authorized exchange offices; gaming-related providers; pawnshops, auctioneers, and traders of precious metals and gems, fine arts, and antiquities; lawyers, notaries public, auditors, accountants and tax advisors

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, finance companies, and financial leasing entities; savings banks; credit unions; companies performing payment option services; the Croatian Post Office; investment fund managers, guarantors, and asset managers; pension companies; insurance companies and intermediaries; companies dealing with the issuance of electronic money; authorized exchange offices; gaming-related providers; pawnshops, auctioneers, and traders of precious metals and gems, fine arts, and antiquities; lawyers, notaries public, auditors, accountants and tax advisors

Number of STRs received and time frame: 404 in 2010

Number of CTRs received and time frame: 57,648 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11 – January - June 2010

Convictions: Five – January - June 2010

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Croatia is a member of the Council of Europe's Select Committee of Experts (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Croatia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Croatia is a signatory to bilateral agreements with 32 FIU counterparts and is also party to a number of bilateral agreements on law enforcement cooperation with its neighbors. The country actively cooperates with its Balkan neighbors in the law enforcement arena, especially in the fight against money laundering. Croatia worked to establish a regional working group to address money laundering.

The FIU has the authority to freeze assets and can do so with relatively little difficulty for an initial 72-hour period. Obtaining an extension is slightly more complicated, with the Prosecutor's Office requiring either an international instrument or a formal legal request for an extended asset freeze. Therefore, if assets identified by authorities do not relate to an individual or entity cited by the UN, it is more difficult for the Prosecutor's Office to obtain a long-term freeze. According to a FIU representative, every request to extend an asset freeze has been granted by court order and remained in effect through the end of the proceedings. Croatia should ensure it has all the legal and regulatory measures in place to meet the international standards on national asset freezing mechanisms.

The Government of Croatia has sufficient mechanisms in place and tools at its disposal to effectively combat money laundering and financial crimes, and incidences of these activities remain rare. A lack of expertise in financial crimes matters among the police and judiciary stands in the way of an even more efficient system, but attempts at education in this area have proved helpful. As a candidate for EU accession, Croatia's ability to successfully combat money laundering and financial crimes is under scrutiny, which has and should continue to lead to further efforts to better develop its capacities in this area.

Cuba

The Cuban Assets Control Regulations, 31 CFR Part 515, were issued by the U.S. Government on July 8, 1963, under the Trading With the Enemy Act. The regulations impose restrictions on travel and remittances to Cuba and prohibit import of products of Cuban origin or, with some exceptions, export of goods from the U.S. to Cuba. Additionally, all assets of the Cuban government or Cuban nationals in the U.S. are frozen. In 2009, some of the restrictions related to family travel and remittances were relaxed, however, the broad trade embargo enforced by the regulations remains in place.

Cuba is not considered a regional financial center. Cuban financial practices and U.S. sanctions prevent Cuba's banking system from fully operating in the international financial system. The government-controlled banking sector, low internet and cell phone usage rates, and threat of seizures related to the U.S. embargo all render Cuba an unattractive location for money laundering. There is a significant black market in Cuba that operates as a supply and demand market parallel to the heavily subsidized and rationed formal market controlled by the state. The black market, including mostly goods obtained locally but also some smuggled goods, is primarily funded by the nearly \$1 billion in remittances sent to

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Cuba every year. These funds, mostly in US dollars or euros, are traded for Cuban pesos at government foreign exchange houses. Most of these remittances come from Cuban-Americans and are delivered to family members. Cuba continues to have one of the most secretive and non-transparent national banking systems in the world.

During 2010 there were no significant changes in the Government of Cuba's (GOC) policies or regulations concerning anti-money laundering/combating the financing of terrorism (AML/CFT). There were no reports of new arrests, seizures, or prosecutions. Cuba's non-transparent national banking system hampers efforts to monitor the effectiveness and progress of Cuba's AML/CFT regime. The GOC claims to be in full compliance with international counter-terrorism conventions and to have taken into account the international standards.

Cuba's significant black market and geographic location between drug-supplying and drug-consuming countries present challenges for authorities. Cuba has few international businesses, no offshore casinos or internet gambling sites, and no free trade zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not available

Legal persons covered: criminally: YES *civily:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, money exchangers, remitters, financial management firms

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, money exchangers, remitters, financial management firms

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civily:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: Not available

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There have been no known instances of investigations or prosecutions related specifically to money laundering. As of 2001, Cuba has bilateral agreements with a number of countries related to combating drug trafficking. It is unclear whether any of these agreements include mechanisms to share information related to financial crimes or money laundering.

On December 20, 2010, a prominent U.S. money remitting company in Cuba began disbursing to customers “Cuban Convertible Pesos” (CUC) instead of U.S. dollars. Therefore, Cuban customers of the company no longer have to pay the 10% fee for cash exchanges into CUC from dollars. This may encourage an increase from the approximately \$1 billion in current annual remittances from the U.S. to Cuba, as well as shift from couriers carrying hard currency toward more electronic fund transfers.

Cuba should increase the transparency of its financial sector and increase its engagement with the anti-money laundering/counter-terrorist financing community in order to increase its capacity to fight these illegal activities.

Curacao

In October 2010 Curacao became a new autonomous entity within the Kingdom of the Netherlands. Curacao has inherited much of the financial and business operations of the former Netherlands Antilles. Curacao is a regional financial center and a transshipment point for drugs from South America bound for the United States and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations can take advantage of banking secrecy and use offshore banking and incorporation systems, economic zone areas, and resort/casino complexes to place, layer and launder drug proceeds. Bulk cash smuggling is a continuing problem due to the close proximity of Curacao to South America.

Curacao has two free economic zones. It is not known to what extent “contrabanding” (using bulk cash to buy actual products which are shipped to South America and sold, thus legitimizing the profits) occurs but it was a problem in an economic zone in the Netherlands Antilles. There have been limited seizures of bulk cash of several thousand dollar increments throughout the past year which intelligence reflects were en route to South America or inbound to one of the e-zone facilities. Structuring was a relatively common occurrence in the Netherlands Antilles and may continue. Another possible area of money laundering activity may be through wire transfers between the island and the Netherlands.

The extent of Curacao’s offshore financial sector, which previously consisted of trust service companies providing financial and administrative services to an international clientele, including offshore companies, mutual funds, and international finance companies, is not clear; but it has declined significantly in recent years. Previous regulations on bank supervision required that international banks must have a physical presence and maintain records on the island. Bearer shares of international companies must be kept in custody and onshore companies are not allowed to have bearer shares. At least seven Internet gaming companies operate in Curacao.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, administration offices, tax advisors, lawyers, and accountants

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, trust companies and other service providers, casinos, customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, administration offices

Number of STRs received and time frame: 20,042 Unusual Transactions in 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Curacao has become a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. It will undergo its first mutual evaluation sometime after signing a memorandum of understanding in May 2011.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Until a mutual evaluation is completed, it is difficult to evaluate the effectiveness of Curacao's anti-money laundering/counter-terrorist financing regime. When part of the Netherland Antilles, Curacao had no previous evaluation of its financial system. On September 28, 2010, the government implemented UNSCRs 1267, 1333, 1363, 1368, 1373, 1390 and 1526. The supervisory authority refers all financial institutions to the UN list and other relevant lists such as the U.S. Department of the Treasury Office of Foreign Assets Control list.

In cooperation with Antillean authorities, Dutch officials from the Netherlands established the Hit and Run Money Laundering (HARM) Team in 2003. Since its inception, the team has concentrated on

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identification of the most prominent launderers, their means of laundering money, and law enforcement cooperation. The HARM team is incorporated into the Financial Investigation Department BFO (Bureau Financieel Onderzoek) and is now called “BFO-HARM”.

Most money laundering cases involve international cooperation among law enforcement authorities in affected countries. The Curacao Kings Cross investigation has been used as a case study example of trade-based money laundering/Black Market Peso Exchange. The Kings Cross investigation demonstrates a connection between organized crime and transactions involving a company based in the Free Zone in Curacao. The investigators discovered a variant on the Black Market Peso Exchange in which the Curacao-based business operated as a currency exchanger for narcotics traffickers.

The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands (KON) and the U.S. applies to Curacao; however, the treaty is not applicable to requests for assistance relating to fiscal offenses addressed to the Netherlands Antilles. A tax information exchange agreement between the KON and the U.S. with regard to Curacao entered into force in March 2007.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Curacao on March 22, 2010. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to Curacao.

The previous Government of the Netherlands Antilles had demonstrated a commitment to combating money laundering. Curacao should ensure that it continues its regulation and supervision of the offshore sector and free trade zones, as well as pursuing money laundering investigations and prosecutions. Curacao should work to fully develop its capacity to investigate and prosecute money laundering and terrorist financing cases.

Cyprus

Cyprus has been divided since 1974. Since then, the Republic of Cyprus (ROC) has controlled the southern two-thirds of the country, while a Turkish Cypriot administration calling itself the “Turkish Republic of Northern Cyprus (TRNC)” controls the northern part. Only Turkey recognizes the “TRNC.” The U.S. Government recognizes only the Republic of Cyprus. This section of the report discusses the area controlled by the ROC. A separate section on the area administered by Turkish Cypriots follows at the end.

Cyprus is a major regional financial center with a robust financial services industry and a significant amount of nonresident businesses. A number of factors have contributed to the development of Cyprus as a financial center: a preferential tax regime; double tax treaties with 44 countries (including the United States, several European Union (EU) nations, and former Soviet Union nations); a sophisticated telecommunications infrastructure; and EU membership. In 2003, Cyprus introduced tax and legislative changes effectively abolishing all legal and substantive distinctions between domestic and offshore companies. Cyprus has also lifted the prohibition from doing business domestically and companies formerly classified as offshore are now free to engage in business locally. International business companies are allowed to be registered in Cyprus but their ultimate beneficial ownership must be disclosed to the authorities. There are over 220,000 companies registered in Cyprus, many of which are non-resident. The same disclosure, reporting, tax and other laws and regulations apply equally to all registered companies.

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Like any financial center, Cyprus remains vulnerable to money laundering and illicit finance activities. Simple financial crime constitutes the biggest threat for domestic money laundering and tax evasion internationally. There is no significant black market for smuggled goods in Cyprus. What little black market trade exists is usually related to small scale transactions, typically involving fake clothing, pirated CDs/DVDs and cigarettes moved across the UN-patrolled buffer zone separating the ROC from the “TRNC”.

Cyprus has three free trade zones (FTZs). Two, located in the main seaports of Limassol and Larnaca, are used only for transit trade, while the third, located near the international airport in Larnaca, can also be used for repacking and reprocessing. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, VAT or excise tax. FTZs are governed under the provisions of relevant EU and Cypriot legislation. The Department of Customs has jurisdiction over all three areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit institutions, securities and insurance firms, money transfer services, international financial services and trust companies, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and in certain cases, attorneys

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; credit institutions; issuers or servicers of credit or payment cards, and traveler’s checks; financial leasing companies; securities and insurance brokers and firms; money transfer or brokerage services; financial advisors, international financial service providers, and trust and safekeeping companies; auditors, tax advisors, and accountants; real estate agents; dealers in precious stones and gems; and in certain cases, attorneys

Number of STRs received and time frame: 428 in 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 30 in 2009

Convictions: Five in 2009

Assets forfeited: criminally: Euros 5.5 million (approximately \$7.1 million in 2009)

civilly: Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Cyprus is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are no legal issues hampering Cyprus' ability to assist foreign governments in mutual legal assistance requests. Cypriot law allows MOKAS, the Cypriot financial intelligence unit (FIU) to share information with other FIUs without benefit of a memorandum of understanding (MOU).

Cyprus has enacted comprehensive legislation and established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. Like most EU countries, though, Cyprus has no provisions allowing civil forfeiture of assets without a criminal case. The police and the FIU are responsible for tracing, seizing and freezing assets and they fully enforce existing legislation. Cyprus has an independent national system and mechanism for freezing terrorist assets, and has also engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Amending legislation that came into force in June 2010 strengthened the 2007 Law for the Prevention and Suppression of Money Laundering Activities (LPSMLA), e.g., by requiring a timely response to FIU enquiries, and criminalizing the provision of false or misleading information.

Area Administered by Turkish Cypriots

The Turkish Cypriot community continues to lack the legal and institutional framework necessary to provide effective protection against the risks of money laundering, although significant progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos. There are currently 22 domestic banks in the area administered by Turkish Cypriots and Internet banking is available. The offshore sector consists of 13 banks and 34 companies. The offshore banking sector remains a concern. The offshore banks may not conduct business with residents of the area administered by Turkish Cypriots and may not deal in cash. Under revised "laws" passed in 2008, the "Central Bank" took over the regulation and licensing of offshore banks from the "Ministry of Finance" thereby improving oversight. The "Central Bank" audits the offshore entities, which must submit an annual report on their activities. The new "law" permits only banks previously licensed by Organization for Economic Co-operation and Development (OECD)-member nations or Turkey to operate an offshore branch in northern Cyprus. Despite the 2009 promulgation of more strict "laws," the 23 operating casinos remain essentially unregulated due to the lack of an enforcement or investigative mechanism by the casino regulatory body and efforts to de-criminalize any failure by casinos to follow KYC regulations.

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The Turkish Cypriot community is not part of any FSRB and thus is not subject to normal peer evaluations. Turkish Cypriot authorities have taken steps to address the risk of financial crime, including enacting an "anti-money laundering law (AMLL)" for the area and formally establishing an FIU equivalent. The "law" aims to reduce the number of cash transactions in the area administered by Turkish Cypriots as well as improve the tracking of any transactions above 10,000 Euros (approximately \$13,000). Under the "AMLL," banks must report to the "Central Bank" and the "Money and Exchange Bureau" any electronic transfers of funds in excess of \$100,000. Such reports must include information identifying the person transferring the money, the source of the money, and its destination. Under the "law," banks, nonbank financial institutions, and foreign exchange dealers must report all currency transactions over 10,000 Euros (approximately \$13,000) and suspicious transactions in any amount to the "Money and Exchange Bureau". Banks must follow a KYC policy and require customer identification. Banks and other designated entities also must submit STRs to a five-member "Anti-Money Laundering Committee" which decides whether to refer suspicious cases to the "police" and the "attorney general's office" for further investigation. The five-member committee is composed of representatives of the "police," "customs," the "Central Bank," and the "Ministry of Economy". According to the Turkish Cypriot authorities, 102 STRs were received by the "FIU" in 2009.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, lawyers

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, lawyers

Number of STRs received and time frame: 106 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* Nil *civilly:* Nil

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES, with Turkey

The area administered by Turkish Cypriots is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Turkish Cypriot "AMLL" provides better banking regulations than were in force previously, but without ongoing enforcement its objectives cannot be met. A major weakness continues to be the many casinos, where a lack of resources and expertise leave the area essentially unregulated, and therefore, especially vulnerable to money laundering abuse. Amendments that would essentially decriminalize failure to implement KYC rules are currently being considered to a "law" to regulate potential AML activity in casinos. The largely unregulated consumer finance institutions and currency exchange houses are also of concern. The Turkish Cypriot authorities should continue efforts to enhance the "FIU," and adopt and implement a strong licensing and regulatory environment for all obligated institutions, in particular casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements. Turkish Cypriot authorities should continue steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecutions.

Czech Republic

The Czech Republic is a small, open, export-oriented economy. However, the Czech Republic's central location in Europe and its status as a market economy leave it vulnerable to money laundering. The economy is still heavily cash-based despite the development of modern payment techniques, and cash transactions in some sectors enable the mixing of criminal proceeds with legitimate profits. Various forms of organized crime (narcotics trafficking, trafficking in persons, fraud, counterfeit goods, embezzlement, and smuggling) are the primary sources of laundered assets in the country. Other sources of criminal proceeds include criminal offenses against property, insurance fraud, and credit fraud.

Domestic and foreign organized crime groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers through the Czech Republic. Links between organized crime and money laundering are present mainly in the activities of foreign groups, in particular from the former Soviet republics, the Balkan region, and Asia.

The Czech Republic is home to a significant black market for smuggled cigarettes and other tobacco products, as well as pirated products from Asia, including CDs, DVDs, and counterfeit designer goods. The Czech Customs Administration has found that Asian criminal groups use a portion of the illegal funds from contraband smuggling for the purchase of real properties, which they then use for business activities. There are ten free trade zones operating in the Czech Republic, but Czech authorities do not consider them a money laundering vulnerability.

Banks, investment companies, real estate agencies, currency exchange offices, casinos, and other gaming establishments have all been used to launder criminal proceeds. Aspects of the gambling industry and the way it is regulated have been highlighted in the past as vulnerable to money laundering, as has the widespread use of freely transferable bearer shares among Czech companies. Bearer shares pose an obstacle to law enforcement during financial investigations and obscure true ownership.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons/entities covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, currency exchanges, insurance companies, the Czech Consolidation Agency, the holder of a postal license, securities dealers and exchanges, gaming enterprises, attorneys, trusts and company service providers, realtors, notaries, accountants, tax advisors, auditors, pawnshops and dealers of secondhand goods, including vehicles, and of precious metals and stones

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, currency exchanges, insurance companies, the Czech Consolidation Agency, the holder of a postal license, securities dealers and exchanges, gaming enterprises, attorneys, trusts and company service providers, realtors, notaries, accountants, tax advisors, auditors, pawnshops and dealers of secondhand goods, including vehicles, and of precious metals and stones

Number of STRs received and time frame: 1,711 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 44 in 2010

Convictions: 16 in 2009

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Czech Republic is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Czech_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite an environment of fiscal austerity in which most government ministries are facing significant budget cuts, the Financial Intelligence Unit (FIU) and the Police Unit for Combating Corruption and Financial Crimes, two of the Czech Republic's key bodies for combating money laundering, are seeing their budgets and staff increased, signaling the importance the current government places on combating financial crimes. With the additional staff they will gain, the police plan to focus on increasing the volume of seized assets, which have remained steady on an annual basis. While the additional resources should contribute to the quality of the unit's investigative work, the unit faces instability in terms of leadership. Since 1991 the Unit for Combating Corruption and Financial Crimes has had eight directors, four of them within the past four years. Maintaining the unit's stability at the director level would improve operations and should be a goal of Czech authorities.

The new Criminal Code, which came into force on January 1, 2010, simplifies the definition of money laundering and decreases evidence requirements. The new definition removes the previous clause addressing the perpetrator's intent; consequently, it is no longer necessary to prove the intention of the perpetrator, which should assist prosecutors in obtaining convictions. The new criminal code also imposes tougher sentences for money laundering and criminalizes the legalization of criminal proceeds by negligence. As of December 2010, the Czech Government is considering a measure that would introduce the criminal liability of legal entities.

CZK 1.31 billion (approximately \$69 million) was forfeited in 2009; however, stand-alone statistics exclusive to assets forfeited in money laundering cases are not available.

The Czech Republic permits bearer shares, which are widely used by Czech companies; thus there is not an adequate level of reliability of registered information and of ownership transparency. Although know your customer rules require companies to provide financial institutions with evidence of the identities of beneficial owners holding more than a 25% stake in the company, the reliability of company-provided data is in some cases questionable. Law enforcement personnel acknowledge that bearer shares are obstacles in their financial investigations because they obscure true ownership. Czech government officials suggest that until the EU abolishes them throughout its territory, individual countries, including the Czech Republic, are unlikely to ban them. About 51% of Czech companies reportedly issue bearer shares.

The gambling industry in the Czech Republic is also potentially vulnerable to money laundering. The Czech gaming industry is represented by a powerful lobby and has succeeded in blocking most new regulation of the sector during the past twenty years. Casinos file a relatively small number of STRs. Other gaming entities, including bars and restaurants with electronic games and slot machines, are not considered obliged entities and consequently are not subject to the Anti-Money Laundering Act (AMLA) requirements. Without robust oversight and the applicability of the AMLA to all gaming establishments, the potential exists for money laundering to become more significant in the gaming sector.

The Government of the Czech Republic should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Denmark

Denmark is not a major financial center, and although authorities do not believe Denmark is often viewed as a particularly attractive place for money laundering, there have been some instances of placement of criminal proceeds in banks in situations where neither the victim nor the perpetrator resided in Denmark. Major sources for proceeds are drug trafficking and economic crimes, particularly VAT and investment frauds, smuggling of goods, and violations of intellectual property rights. Outlaw motorcycle gangs have been involved in a range of offenses, including narcotics-related offenses, smuggling of goods, and various financial crimes. Denmark is geographically vulnerable to serving as a transit country for smuggling into Sweden and Norway. The proceeds of crime are typically transferred out of Denmark soon after offenses occur.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; safekeeping, portfolio, asset and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler’s checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; safekeeping, portfolio, asset and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler’s checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

Number of STRs received and time frame: 2,095 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 306 in 2009

Convictions: 158 in 2009

Assets forfeited: *criminally:* approximately \$41 million in 2009 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Denmark is a member of the Financial Action Task Force (FATF). Its most recent Mutual Evaluation Report can be found here: <http://www.fatf-gafi.org/dataoecd/1/26/37588381.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Denmark has a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime and should continue to enhance its laws and regulations as necessary to adhere to international standards. Denmark should extend its AML/CFT requirements to cover gaming establishments and Internet gaming providers.

Djibouti

Djibouti is one of the most stable countries in the Horn of Africa. It is a minor financial hub in the sub-region, thanks to its U.S. dollar-pegged currency and its unrestricted foreign exchange. Over the past five years, Djibouti's economy has undergone a substantial transformation due to a surge in foreign direct investment inflows – primarily from the countries of the Gulf Cooperation Council (GCC) – in the port, construction, and tourism sectors. The Djibouti Free Zone, managed by Dubai's Jebel Ali Free Zone and inaugurated in 2004, has now almost reached capacity. A new larger free zone and separate heavy equipment and automobile free zone are under construction. Officials from the Central Bank have not reported any instances of money laundering. Informal and black markets for goods remain important. Smuggled goods consist primarily of highly taxed cigarettes and alcohol. Due to Djibouti's strategic location in the Horn of Africa and its cultural and historical trading ties, Djibouti-based traders and brokers are active in the region. Djibouti currently hosts no offshore banks; however, its banking laws explicitly permit offshore institutions. The number of locally operating banks has increased from two to ten in the past six years.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Credit establishments, financial institutions and intermediaries, and any individual or entity that carries out, controls or gives advice on transactions involving deposits, exchanges, investments, conversion or any other movements of capital

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Credit establishments, financial institutions and intermediaries, and any individual or legal entity that carries out, controls or gives advice on transactions involving deposits, exchanges, investments, conversion or any other movements of capital

Number of STRs received and time frame: 12

Number of CTRs received and time frame: Two

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Djibouti is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Expertise in investigating and prosecuting financial crimes is minimal. Although Djibouti enacted its anti-money laundering (AML) law in 2002 and later established a financial intelligence unit (FIU), enforcement of the law continues to be a major challenge. Though Djibouti makes an effort to control all formal transaction points, greater resources and independence would improve the oversight capabilities of the Central Bank and the FIU. With an increasing number of banks operating in Djibouti, and the introduction of bank-free cash transfers via mobile phones, additional training and resources for the FIU continue to be critical needs.

Corruption is also a concern. While customs transparency has greatly improved under Dubai Ports World management of the customs service, the Government of Djibouti should continue to focus on improving customs controls on cross-border currency movements, especially at land borders. Finally, Djibouti must also ensure its AML regime is effectively applied in all current and planned free zones, and to all professionals involved in financial matters.

The AML law stipulates that Djibouti will cooperate with other countries by exchanging information, assisting in investigations, providing mutual technical assistance and facilitating the extradition process in money laundering cases. At the regional level, the Fraud Investigation Unit, Djibouti's FIU, works in collaboration with FIUs from member states of the Intergovernmental Authority on Development (IGAD). Although the UN lists of designated terrorists and terrorist entities are not distributed by the Central Bank, banks and financial institutions are encouraged to retrieve the updated list regularly from the internet.

Dominica

Dominica is a major offshore center with a large international business company (IBC) presence and internet gaming. Dominican officials believe most of the money laundering cases under investigation involve external proceeds from fraudulent investment schemes. There has also been evidence of advance fee fraud schemes. Domestically driven money laundering primarily has a nexus to drug-related activities. Money remitters have been used to transfer funds to questionable locations, and there has been a surge in the placement of euros in the banking system related to questionable activities in Guadeloupe and Martinique

Dominica's financial sector includes two offshore banks, 15,321 IBCs, twenty insurance companies, nine money services businesses, four internet gaming companies and one building and loan society. There are no free zones in Dominica. Shell companies are not permitted. Bearer shares are permitted; however, these shares are immobilized by the requirement that the beneficial owners of the bearer shares must be disclosed.

Under Dominica's Economic Citizenship Program, individuals can obtain citizenship for approximately \$75,000 for an individual and \$100,000 for a family of up to four persons. There is no residency requirement and passport holders may travel to most Commonwealth countries without a visa. An application for economic citizenship must be made through a government approved local agent and requires a fee for due diligence or background check purposes. An in-person interview is also required.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

Number of STRs received and time frame: 63 from January to September 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two

Convictions: None

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Dominica is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here [http://www.cfatf-gafic.org/downloadables/mer/Dominica_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Dominica_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the past, subjects of United States criminal investigations have been identified as exploiting Dominica's Economic Citizenship Program. However, Dominica has made a concerted effort to improve the regulation of this program.

The Government of the Commonwealth of Dominica (GOCD) should fully implement and enforce the provisions of its legislation and provide additional resources for regulating offshore entities and stringently regulating internet gaming entities. Additional awareness training for on-financial businesses and professions, to ensure their understanding and compliance of STR reporting requirements, would significantly strengthen the GOCD's regulatory framework. The GOCD should also move expeditiously to become a party to the UN Convention against Transnational Organized Crime.

Dominican Republic

In spite of having the largest economy in the Caribbean, the Dominican Republic (DR) is not a major regional financial center. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The existence of six international airports, six major seaports, and a poorly controlled frontier with Haiti present the authorities with serious challenges. The existence of corruption within the government and the private sector, an organized crime presence (primarily illicit trafficking in narcotics and persons), a fragile economy and a large informal economy make the DR vulnerable to money laundering and terrorist financing threats. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion and fraudulent financial activity, particularly transactions with forged credit cards.

The DR is a major bulk cash smuggling hub. The smuggling of bulk cash by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the DR. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos are commonly used to facilitate the laundering of illicit funds. The lack of a single recognized financial intelligence unit exacerbates the problem, and the proposed creation of an offshore financial center may worsen the DR's vulnerability to money laundering.

There is a significant market for illicit or smuggled goods in the Dominican Republic; the funding sources are unclear, as is the destination of the proceeds. Authorities say the under-invoicing of imports and exports by Dominican Republic businessmen is still a relatively common practice. The primary goal for businessmen who engage in such activity is reportedly to avoid taxes and customs fees. Customs fraud and invoice manipulation are also found in regional value transfer schemes.

Money Laundering and Financial Crimes

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.? YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, currency exchange houses, stockbrokers, securities brokers, cashers of checks or other types of negotiable instruments, issuers/sellers/cashers of travelers checks or money orders, credit and debit card companies, remittance companies, offshore financial service providers, casinos, real estate agents, automobile dealerships, insurance companies, and certain commercial entities such as those dealing in firearms and precious metals

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

Number of STRs received and time frame: 45 from January to August 2010

Number of CTRs received and time frame: 138 in 2009

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 from January 2009 to October 2010

Convictions: 0

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources hamper the Government of the Dominican Republic’s (GODR) ability to enforce the anti-money laundering (AML) regulations. Institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. Earlier resistance in the judiciary and among prosecutors to applying AML has evaporated, and authorities effectively apply the AML and regulations

when able to gather proper evidence. The lack of data and systematic study make it difficult for the Federal Police to identify trends in money laundering. The system of asset forfeiture is largely ineffective.

The AML law excludes from the list of covered entities dealers of art, antiques, and other high-valued consumer goods; entities dealing with jewelry and precious metals; and attorneys, financial management firms and travel agencies. These entities are not required to maintain customer information or report suspicious activity. Additionally, accountants and auto dealers are excluded from the STR requirement. PEPs are addressed in a circular issued by the Superintendency of Banks and in force since September 7, 2010; while this is a step forward, the circular does not address all elements in the international standards and does not apply to all pertinent entities. Covered non-bank businesses and professions are to be inspected by the Tax Authority. However, in practice, such inspections rarely occur.

The decision to replace the UIF financial intelligence unit (FIU), which became a member of the Egmont Group in 2000, with the Financial Analysis Unit (UAF) caused the Dominican Republic to lose its Egmont membership. Although the UAF is now recognized as the GODR's financial intelligence unit, it appears there is still confusion among obligated entities regarding their reporting requirements. Further confounding the duality of FIU functions in the Dominican Republic is the proposed creation of an offshore financial center with its own agency equivalent to an FIU.

In December 2008, the GODR passed law 480/08 allowing the creation of "International Financial Zones" (IFZs) where the full range of financial services can be conducted separately from traditional monetary, banking and financial regulatory oversight. Sections of Law 480/08 would allow the IFZs to have their own regulatory and supervisory authority, independent from that of the domestic financial system. This Law creates a new entity called the Financial Investigations Department (DIF) created within the NCIFZ. The creation of the DIF within the NCIFZ, with specified roles, gives such a unit the same functions as the UAF. This situation is unacceptable, because two FIUs cannot coexist within a jurisdiction. Law 480/08 has not been implemented nor have any IFZs been established. Members of the Dominican Congress are trying to amend Law 480/08 to correct this risk. The Dominican Republic has approximately 50 free trade zone parks, focused on textiles, tobacco, small electric devices, and medical and pharmaceutical products.

The GODR should bolster the operational capacity of the UAF, which is the single, unified FIU. The UAF should have budgetary independence. There should be enhanced supervision of money service businesses. Authorities should identify, investigate and prosecute organized criminal groups involved with bulk cash smuggling and trade-based money laundering. The GODR should not establish International Financial Zones, which will greatly increase the risk of all-source money laundering. Specific steps should be taken to combat corruption within both government and industry.

Ecuador

Ecuador is a major drug transit country. With a dollarized economy and geographic location between two major drug producing countries, Ecuador is highly vulnerable to money laundering. Corruption is a significant problem in Ecuador and facilitates money laundering. Because only major banks have active money laundering controls in place, and because a large number of transactions take place through unregulated money exchange and remittance companies, there is no reliable way to judge the magnitude of such activity in the country. There is evidence that money laundering is taking place through trade and commercial activity, as well as through cash couriers. Large amounts of unexplained currency entering and leaving Ecuador indicate that transit of illicit cash is a significant activity. Weakly regulated casinos and deficient financial supervision serve as additional vulnerabilities for money laundering.

Money Laundering and Financial Crimes

On February 18, 2010, the Financial Action Task Force (FATF) issued a Public Statement identifying Ecuador as having strategic Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) deficiencies and as not having delivered a clear high-level political commitment to address these deficiencies. In June 2010, after the Ecuadorian government provided a written high-level political commitment to address the identified deficiencies, including by tabling a revised AML/CFT law, FATF upgraded Ecuador to a list of countries that have strategic AML/CFT deficiencies for which they have developed a corrective action plan.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: Unknown

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions, insurance providers (including private insurance), cooperatives, trust and fund managers, money transfer companies and parallel couriers, brokerages, casinos and gaming halls

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, savings and credit institutions; investment companies, stock exchanges, and mutual funds; exchange houses; credit card administrators; money transmitters; mortgage companies; insurance and reinsurance companies trusts; fund managers; sellers of vehicles, aircraft, and watercraft; brokerages; couriers; real estate agents; casinos and other gambling enterprises; dealers of precious metals and stones

Number of STRs received and time frame: 36 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Ecuador is a member of the Financial Action Task Force (FATF) for South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/home.htm>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On December 30, 2010, Law 2010-352, reforming existing anti-money laundering legislation and the Penal Code, entered into force. The law contains a number of provisions aimed at strengthening the criminalization of money laundering and terrorist financing, and also strengthening Ecuador's financial intelligence unit (FIU) (renamed the Financial Analysis Unit). In addition to strengthening border controls on cash movements at air and seaports, the new legislation expands penalties, removes the \$5,000 minimum threshold for money laundering, and includes crimes committed outside of Ecuador. The law also appears to strengthen the mandate of Ecuador's FIU and expands the role of the National Anti-Money Laundering Council, which oversees the FIU. Although, on balance, the legal reform strengthens Ecuador's legislation with regard to financial crimes, the law includes new language that could potentially complicate seizures of illicit funds, either as part of money laundering investigations or bulk cash transfers. For example, the new language states the Attorney General is responsible for demonstrating the illicit origin of seized funds. Explicitly placing the burden of proof on the Government of Ecuador (GOE) could make it easier for plaintiffs in money laundering or smuggled cash cases to avoid conviction.

Law 2010-352 also includes provisions that seek to criminalize terrorist financing, by creating an autonomous offense of the financing of crimes (including terrorism, acts of terrorism, and organized terrorism) listed in the Penal Code. The new law adds a new article to the Penal Code to criminalize the financing of any of the acts listed in the Penal Code's section under "Crimes of Sabotage and Terrorism." The new law does not contain an explicit reference to "terrorist financing," does not define "funds" or "assets," does not appear to cover attempts to commit the offense, and appears to require a connection to an act of terrorism. As such, Ecuador's strengthened AML/CFT legal regime does not yet fully meet international standards.

The GOE should continue to work to ensure its AML/CFT legislation, and especially the criminalization of the financing of terrorism, adheres to international standards. The GOE should harmonize its legislation to eliminate conflicts that hinder successful money laundering investigations and prosecutions. The GOE should ensure the FIU becomes fully functional and meets international standards, and should also ensure that reporting requirements – covering an expanded group of obligated parties -- are enforced. The GOE should make a dedicated effort to train judges, prosecutors and investigators so they understand the country's applicable AML/CFT legislation and regulations. It is important for the GOE to take all necessary steps to comply fully with international AML/CFT standards to which it has formally committed through its membership in the UN, the OAS, and GAFISUD.

Egypt

Egypt is not considered a regional financial center or a major hub for money laundering. Egypt still has a large informal cash economy, and many financial transactions are undocumented or do not enter the banking system. Cash remains by far the preferred means of payment in Egypt and, despite efforts by the Egyptian authorities, modern means of payment remain underdeveloped. Reportedly, there is evidence that arms are being smuggled across Egypt's border with Gaza. The funding source is unclear, as is the destination of the proceeds. Authorities report the under-invoicing of imports and exports, or trade-based

Money Laundering and Financial Crimes

money laundering, is common, reportedly to avoid taxes and customs fees. Tax evasion is common. Customs fraud and invoice manipulation are also found in regional value transfer schemes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES ***civilly:*** Unknown

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, foreign exchange companies, money transfer companies, the post office, insurance companies, security firms, leasing companies, factoring companies, and mortgage financing companies

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, foreign exchange companies, money transfer companies, the post office, insurance companies, security firms, leasing companies, factoring companies, and mortgage financing companies

Number of STRs received and time frame: 275 - January - June 2008

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2007

Convictions: Not available

Assets forfeited: criminally: Not available ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Egypt is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.menafatf.org/images/UploadFiles/MER_Egypt_ForPublication.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Egypt (GOE) should address asset identification, seizure and forfeiture. The GOE also should improve its ability to pursue suspicious financial activities and transactions throughout the entire investigative and judicial process. Egypt should work to increase the number of successful money laundering investigations and prosecutions and improve its enforcement of cross-border currency controls.

El Salvador

El Salvador has an unusually rapidly growing banking system with little, other than its dollarized economy and remittance flow, to support such growth. The country is part of the transshipment route for South American cocaine and heroin destined for the United States and returning cash to South America. Money laundering is primarily related to proceeds from illegal narcotics and organized crime. There is no indication that money laundering is being used to fund terrorist activities. The U.S. dollar is the main currency in El Salvador. The country's dollarized economy and geographic location make it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There are 16 free trade zones operating in the country. There are no reported hawala or other similar alternative remittance systems operating in El Salvador. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes

Legal persons covered: criminally: NO civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, money exchanges, accountants, notaries, gaming centers, auto dealers, and securities dealers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Money Laundering and Financial Crimes

Covered entities: Banks, agricultural credit institutions, money exchanges, accountants, notaries, gaming centers, auto dealers, and securities dealers

Number of STRs received and time frame: 1,152 in 2010

Number of CTRs received and time frame: 2,562 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 29 in 2010

Convictions: Three in 2010

Assets forfeited: criminally: \$14,655,926 in 2010 (one seizure totaled \$14,000,000)

civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

El Salvador is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/El_Salvador_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/El_Salvador_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The number of prosecutions relative to the number of crimes which generate illicit funds is low. In addition, there are relatively few asset seizures incident to AML investigations. Funds seized in drugs cases are returned to law enforcement. In 2010, the government passed asset forfeiture legislation that allows the government to sell property seized in conjunction with narcotics arrests and to use the profits for counter-narcotics efforts. The regulatory institutions with regard to money laundering are weak and lack both human resources and sufficient regulatory powers.

There are no indications that the government or its officials facilitate or launder funds from illicit drug transactions. Salvadoran law severely penalizes abuse of an official position in relation to the commission of a drug offense, including accepting or receiving money or other benefits in exchange for an act of commission or omission relating to official duties.

El Salvador needs to provide a clear prohibition against “tipping off” in its legislation and regulations, and clarify and enforce its provisions regarding criminal liability for legal persons.

Equatorial Guinea

Equatorial Guinea (EG) is not a regional financial center. Implementation of its anti-money laundering laws is not complete, and EG is vulnerable to money laundering and terrorist financing. EG’s greatest concern in terms of money laundering and terrorist financing is cross-border currency transactions and the illegal international transfer of money by companies or by corrupt individuals. Corruption at all levels of government and commerce is a severe problem in EG. The Government of Equatorial Guinea is a member of the Economic and Monetary Community of Central Africa States (CEMAC) and shares a regional Central Bank (BEAC) with other CEMAC members.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Legal persons covered: criminally: Not available *civilly:* Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks

Enhanced due diligence procedures for PEPs: Foreign: Not available *Domestic:* Not available

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Not applicable

Number of STRs: Not applicable

Number of CTRs received and time frame: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: criminally: None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Equatorial Guinea is not a member of a Financial Action Task Force (FATF)-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Equatorial Guinea should work with the CEMAC and BEAC to establish a viable anti-money laundering/counter-terrorist financing (AML/CFT) regime. Within CEMAC, there is the Banking Commission of Central Africa (COBAC) and the Action Group against Money Laundering in Central Africa (GABAC). Although there is no recognized FSRB in the region, GABAC is working with banks and member states to ensure implementation of international FATF recommendations through two formalized relationships. If established, GABAC works directly with the National Financial Investigative Agency (ANIF) in each member state. GABAC also engages with all banking institutions to urge them to become members of COBAC and then ensures the banks are implementing and enforcing due diligence procedures, as outlined in the international standards.

The EG should become a party to the 1988 UN Drug Convention and the UN Convention against Corruption.

Eritrea

Eritrea is not a regional financial center. The Government of Eritrea (GOE) is highly autarchic and has created a strict command economy with nearly every significant economic entity controlled by the government/military. Exports are miniscule, generating little hard currency (although they are expected to grow with development of the mining sector). Eritrea has spurned assistance from traditional donors. Aid from its largest benefactors, Qatar and China, is not transparent. The level of cross border trafficking of narcotics is not known, but, given the government's tight control of its borders, Eritrea is not believed to be a significant market or transit route for narcotics. However, due to its informal cash economy, limited regulatory structure, lack of enforcement and proximity to regions where terrorist and criminal organizations operate, Eritrea is vulnerable to money laundering, trade-based value transfer, underground finance, terrorist financing and related activities.

The Eritrean legal and regulatory systems are undeveloped and non-transparent. The constitution, ratified in 1997, has yet to be implemented. Currently, all laws are issued by proclamation from the GOE. Regulations and procedures seem to be haphazardly created and irregularly enforced. Obtaining information about financial regulations is difficult; Eritrea is one of a few countries that do not publish their national accounts, budget, and trade statistics. Eritrean officials will not discuss the country's anti-money laundering/counter-terrorist financing (AML/CFT) regime.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Legal persons covered: criminally: Not available *civilly:* Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: Not available

UN lists of designated terrorists or terrorist entities distributed to financial institutions: Not available

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Not available

Enhanced due diligence procedures for PEPs: Foreign: Not available *Domestic:* Not available

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Not available

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Eritrea is not a member of a Financial Action Task Force-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Eritrea (GOE) should seek international assistance to help structure an AML/CFT regime that adheres to international standards.

Estonia

Estonia has one of the most transparent, developed banking systems of the new European Union (EU) members. Estonia has adopted the universal banking model, which enables credit institutions to participate in a variety of activities such as leasing, insurance, and securities. Transnational and organized crime groups are attracted to the territory due to its location between Eastern and Western Europe. Analysis of suspicious transaction reports (STRs) discloses some incidents of transferring the proceeds of Internet crime to Estonia. There have been no reports of terrorist financing in Estonia.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Credit and financial institutions, lottery/gambling institutions, real estate firms, traders who receive payments in cash that exceed 200,000 kroons (approximately \$20,000), pawnbrokers, auditors and accountants, tax advisors, service providers for trust funds and business associations, notaries, attorneys and legal advisors, bailiffs, and trustees in bankruptcy

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Credit and financial institutions, lottery/gambling institutions, real estate firms, traders who receive payments in cash that exceed 200,000 kroons (approximately \$20,000), pawnbrokers, auditors and accountants, tax advisors, service providers for trust funds and business associations, notaries, attorneys and legal advisors, bailiffs, and trustees in bankruptcy

Number of STRs received and time frame: 3,475 from January to September 2010 (714 related to terrorist financing)

Number of CTRs received and time frame: 6,777 from January to September 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 29 persons from January to November 2010

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Estonia is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL%282008%2932Rep-EST3_en.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Estonia is member of the EU, and on January 1, 2011, joined the euro zone. On March 8, 2010, the Auditors Activities Act came into effect, and on October 5, 2010, the International Sanctions Act took effect. On April 12, 2010, Estonia became a party to the UN Convention against Corruption. Estonia should continue to enhance its AML/CFT regime, as necessary.

Ethiopia

Due primarily to its unsophisticated financial systems and pervasive government controls, Ethiopia is not considered to be a regional financial center. Ethiopia's location within the Horn of Africa region makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations. Sources of illegal proceeds include corruption, smuggling and trafficking in narcotics, persons, arms, and animal products. As the economy grows and becomes more liberalized, law enforcement sources believe bank fraud, electronic/computer crimes and money laundering activities will continue to rise. The financial services sector remains closed to foreign investment.

Since strict foreign exchange controls limit possession of foreign currency, most of the proceeds of contraband smuggling and other crimes are not laundered through the official banking system. High tariffs also encourage customs fraud and trade-related money laundering. Law enforcement sources indicate that alternative remittance systems, particularly hawala, are widely used. The Ethiopian Government has closed a number of illegal hawala operations and attempts to monitor hawala networks within the country.

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DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions, money transfer agents, foreign exchange bureaus, financial leasing companies, Ethiopian Revenue and Customs Authority, notary offices, licensing authorities, Ethiopian Investment Agency, non-governmental organizations, auditors, accountants, persons engaged in real estate business, precious metal dealers, and broker/investment advisors

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions, money transfer agents, foreign exchange bureaus, financial leasing companies, Ethiopian Revenue and Customs Authority, notary offices, licensing authorities, Ethiopian Investment Agency, non-governmental organizations, auditors, accountants, persons engaged in real estate business, precious metal dealers, and broker/investment advisors

Number of STRs received and time frame: None

Number of CTRs received and time frame: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One pending

Convictions: Unknown

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Ethiopia is not a member of a Financial Action Task Force (FATF)-style regional body (FSRB). Ethiopia has applied to be an observer of the Eastern and Southern Africa Anti-Money Laundering Group.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money Laundering and Financial Crimes

The lack of data and systematic study make it difficult for the federal police to identify trends in money laundering. Further, inadequate police training and lack of resources significantly diminish its investigative abilities.

In February 2010, the FATF International Cooperation Review Group (ICRG) publicly listed Ethiopia as a country deficient in its AML/CFT regime. In June 2010, Ethiopia's Finance Minister confirmed his government's commitment to an action plan to improve the country's anti-money laundering/counter-terrorist financing (AML/CFT) regime. The action plan includes: (1) implementing UN Security Council Resolutions 1267 and 1373 through law to ensure there are appropriate procedures to freeze, seize, and confiscate terrorist funds; (2) introducing implementing regulations/directives for the new AML law; (3) establishing a fully operational and effectively functioning financial intelligence unit (FIU); (4) seeking technical assistance to conduct a review of AML/CFT laws; (5) raising awareness of AML/CFT issues within the law enforcement community; (5) implementing effective, proportionate and dissuasive sanctions in order to deal with natural or legal persons that do not comply with the national AML/CFT requirements; and (6) obtaining full membership in a FSRB and submitting to a mutual evaluation.

Ethiopia has made progress in improving its AML/CFT regime, but has yet to make its FIU operational or implement various specific directives in accordance with its November 2009 Prevention and Suppression of Money Laundering and Financing of Terrorism law. In March 2010, the Central Bank issued the only relevant directive to date, mandating customer due diligence requirements for banks only. Ethiopia established its nascent FIU--the Financial Intelligence Center (FIC)--in early 2010 with the appointment of a Director General, but the FIC has not hired additional staff to date. The FIC reports directly to the Prime Minister, but the Finance Minister chairs an inter-ministerial committee formed to address Ethiopia's AML/CFT deficiencies. The FIC has sought donor technical assistance.

Fiji

Fiji is a small country with a population of less than 1 million. It is not a regional financial center but suffers from a relatively high level of crime. The country's geographical location makes it a convenient potential staging post for Australia and New Zealand. This has been demonstrated by some significant drug related cases and a noted increase in the number of human smuggling cases. Cross-border crime gangs involving individuals from neighboring Asian countries are operating within Fiji.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, foreign exchange dealers, money remittance service providers, law firms, real estate agencies, accountants

Enhanced due diligence procedures for PEPs: Foreign: YES

Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, foreign exchange dealers, money remittance service providers, law firms, real estate agencies, accountants

Number of STRs received and time frame: 629 in 2010

Number of CTRs received and time frame: 133,487 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Fiji is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here:

<http://www.apgml.org/documents/docs/17/Fiji%20DAR%20Final.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The financial intelligence unit does not have budgetary independence. Fiji should continue to implement anti-money laundering and counter-terrorist financing measures that adhere to international standards.

Finland

Finland is not a regional financial center. Over the past decade, Finland repeatedly has placed first or second on Transparency International's Corruption Perceptions Index (CPI); in 2010, Finland ranked fourth on the list. The major sources of illegal proceeds in Finland relate to financial crimes and the majority of suspicious financial activities investigated have an international dimension. These funds are normally laundered through currency exchanges and gambling establishments. The number of organized crime groups has grown slightly in the past few years, as has the number of their members. Terrorism related fund-raising, to the extent it exists, appears to be less of a problem than in other European countries.

Finland has free zones in Hanko, Hamina, Lappeenranta and Turku, and free warehouse areas in Kemi and Oulu. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. The same tax and labor laws apply to free zones/free warehouses as to other workplaces in Finland.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

Money Laundering and Financial Crimes

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and financing institutions and financial holding companies; investment firms; fund management companies and custodians; the central securities depository; book entry registrars; real estate agents and apartment rental agencies; gaming entities; insurance companies and intermediaries, and local mutual insurance associations; pawnshops, auctioneers, and dealers in vehicles and high value goods; auditors, accountants, and lawyers

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit and financial institutions, investment and fund management companies; insurance brokers and insurance companies; real estate agents and apartment rental agencies; betting services and casinos; management companies; custodians of mutual funds; auditors, lawyers, tax advisors, and accountants, auctioneers, pawn shops, and dealers in vehicles and high value goods; businesses and professions that perform other payment transfers, such as hawala; repossession agents and bankruptcy ombudsmen

Number of STRs received and time frame: 12,375 January - June 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 18 in 2008

Convictions: None

Assets forfeited: *criminally:* Not available *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Finland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/58/0,3343,en_32250379_32236963_39535482_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Finland has a comprehensive anti-money laundering/counter-terrorist financing regime and should continue to enhance its laws and regulations as necessary to adhere to international standards.

Finland has, in conjunction with the other Nordic Countries, prepared and concluded treaties with certain offshore financial centers concerning the exchange of information on tax related matters. The treaties are part of the tax haven project, set out by The Nordic Council of Ministers. Finland has signed bilateral treaties on information exchange and taxation with Montserrat and Liberia (November 2010), Vanuatu (October 2010), Marshall Islands (September 2010), Belize (September 2010), Monaco (June 2010), Antigua and Barbuda, Dominica, Grenada, Saint Lucia (May 2010), St. Vincent and the Grenadines, St Kitts and Nevis, Bahamas (March 2010), Andorra (February 2010), San Marino (January 2010), Cook Islands, Samoa, Turks & Caicos, Anguilla (December 2009), Gibraltar (October 2009), Aruba and Netherlands Antilles (September 2009), British Virgin Islands (May 2009), Bermuda and Cayman Islands (April 2009), Jersey and Guernsey (October 2008) and Isle of Man (October 2007).

In June 2010 the Financial Supervision Authority (FSA) issued updated customer due diligence standards effective September 1, 2010, applicable to all entities regulated by the FSA.

France

France remains an attractive venue for money laundering because of its sizable economy, political stability, and sophisticated financial system. Narcotics trafficking, human trafficking, smuggling, and other crimes associated with organized crime are among its vulnerabilities.

France can designate portions of its customs territory as free trade zones and free warehouses in return for commitments in favor of employment. France has taken advantage of these regulations in several specific instances. The French Customs Service administers these zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit institutions, money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries, insurance dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports bets and horse-racing tips, and casinos

Money Laundering and Financial Crimes

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit institutions, money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance brokers and intermediaries, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants to stock exchange settlement and delivery and commercial registered office providers, gaming centers, companies involved in sports bets and horse-racing tips, and casinos

Number of STRs received and time frame: 17,310 in 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 225 in 2009

Assets forfeited: **criminally:** Not available **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

France is a member of the Financial Action Task Force (FATF), and is a Cooperating and Supporting Nation to the Caribbean Financial Action Task Force (CFATF) and an Observer to the Financial Action Task Force of South America (GAFISUD), two FATF-style regional bodies. The International Monetary Fund (IMF) prepared a Report on the Observance of Standards and Codes. This report can be found here: <http://www.imf.org/external/np/fsap/fsap.asp#> . France was evaluated by the FATF in 2010; once finalized the evaluation report may be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

France applies the 2006/70/CE European Union (EU) directive by which politically exposed persons from the EU states may benefit from simplified vigilance procedures, but only in a limited number of cases.

France and the United States have exchanged large amounts of data in connection with money laundering and terrorist financing.

France does not have the capacity to share forfeited assets with other jurisdictions.

The Government of France (GOF) has established a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime and is an active partner in international efforts to control money laundering and the financing of terrorism. France should continue its active participation in international organizations and its outreach to lower-capacity recipient countries to combat the domestic and global threats of money laundering and terrorist financing.

Gabon

Gabon is not a regional financial center. Despite the abundance of natural resources, poor fiscal management and widespread corruption hobble the economy. Embezzlement of state funds, including by politically exposed persons, frequently gives rise to money laundering. Gabon also suffers from porous borders. General smuggling is widespread and is facilitated by organized criminal groups.

The Bank of Central African States (BEAC), a regional central bank that serves six countries of Central Africa, supervises Gabon's banking system. The actual monitoring of financial transactions is conducted by the Economic Intervention Service that harmonizes the regulation of currency exchanges in the member States of the Central African Economic and Monetary Community (CEMAC).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not available

Legal persons covered: criminally: Not available *civilly:* Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: Not available

UN lists of designated terrorists or terrorist entities distributed to financial institutions: Not available

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers, and accountants

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers, and accountants

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Gabon is not a member of a Financial Action Task Force (FATF)-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In September 2005, the Government of Gabon (GOG) created the National Financial Investigations Agency (ANIF), a body designed to lead the fight against money laundering and terrorist financing. Though ANIF is now functional, it lacks the necessary resources (both human and financial) to be effective in its mission.

The gendarme and police have an anti-narcotics unit, the Central Anti-Drug Office dedicated to investigation and arrests. The unit is under-equipped and under-funded and lacks necessary training to operate at a high level of functionality.

The judiciary remains inefficient and susceptible to inappropriate influence. Police inefficiency, corruption, and impunity remain serious problems. Additionally, official corruption is widespread. Oversight efforts to reign in corruption are weak, making it possible for public officials to exploit their positions for personal enrichment. The National Commission of the Fight Against Illicit Enrichment, a government anti-corruption organization, enjoys a high profile but has not prosecuted many alleged criminals identified as taking bribes or committing other malfeasance.

There is a large Lebanese expatriate community in Gabon engaged in the timber industry, construction, and general trade. In order avoid tight fiscal controls for the repatriation of profits, many Lebanese families have obtained Gabonese nationality. Hawala and trade are also used to transfer funds and value from Gabon to Lebanon.

The GOG should work with the CEMAC, BEAC, and international organizations to establish a viable anti-money laundering/counter-terrorist financing regime. Within CEMAC, there is the Banking Commission of Central Africa (COBAC) and the Action Group against Money Laundering in Central Africa (GABAC). Although there is no recognized FSRB in the region, GABAC is working with banks and member states to ensure implementation of international FATF recommendations through two formalized relationships. GABAC works directly with the ANIF in each member state. GABAC also engages with all banking institutions to urge them to become members of COBAC and then ensures the banks are implementing and enforcing due diligence procedures, as outlined in the international standards.

Gambia

The Gambia is not a regional financial center, although it is a regional re-export center. Goods and capital are freely and legally traded in the Gambia, and, as is the case in other re-export centers, smuggling of goods occurs. Customs officials cooperate with counterparts in Senegal to combat smuggling along their common border, although The Gambia has limited capacity to fully monitor its porous borders. The lack of resources hinders law enforcement's ability to combat possible smuggling despite political will. The Gambia is not a known money laundering hub in the region. It is unknown to what extent laundering is related to narcotics, but the seizure of more than two tons of cocaine in May and June 2010 has heightened concerns that some drug-related money may be getting into the country. The rapid growth of commercial banks entering the local market in the past few years, currently 14, also raises possible money laundering concerns.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and insurance companies

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, insurance companies, money exchanges, money transfer agencies, real estate agencies, credit unions, casinos, and lotteries

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12 in 2010

Convictions: Three - May to December 2010

Assets forfeited: criminally: \$24,358 in 2010 civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Gambia is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=42&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of The Gambia (GOTG) should examine its re-export sector to determine whether it is being used to launder criminal proceeds. The 2003 Money Laundering Act, currently under review, should be expanded to include a comprehensive range of predicate offenses and designated non-financial businesses and professions. The GOTG should provide adequate resources and capacity to its law enforcement, supervisory and customs personnel so they are able to effectively fulfill their responsibilities. Its fledgling financial intelligence unit should be given autonomy and should be strengthened both in terms of personnel and training to help it operate effectively. The GOTG should

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become a party to the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Georgia

Illegal income in Georgia originates from corruption, auto theft, narcotics trafficking, smuggling and counterfeiting. According to the Georgian Financial Monitoring Service (FMS), the bulk of criminal proceeds laundered in Georgia are derived from domestic criminal activity, in most cases related to tax evasion. South Ossetia and Abkhazia fall outside the control of Government of Georgia authorities and are not subject to Georgian monitoring or law enforcement.

There is a small black market for smuggled goods in Georgia. There is little evidence to suggest it is significantly funded from narcotics proceeds. Goods are brought in illicitly and sold in black or gray markets to avoid tax and customs duties. The extent of black market trading in the breakaway territories of Abkhazia and South Ossetia is unknown.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Commercial banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; entities performing money remittance services; broker companies and securities' registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of precious metals, precious stones and products thereof, as well as antiquities; customs authorities; entities engaged in extension of grants and charity assistance; notaries; and National Agency of the Public Registry

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Commercial banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; entities performing money remittance services; broker companies and securities' registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; dealers of precious metals, precious stones and products thereof, as well as antiquities; customs authorities; entities engaged in extension of grants and charity assistance; notaries; and National Agency of the Public Registry

Number of STRs received and time frame: 7,701 from January through August 2010

Number of CTRs received and time frame: 69,043 from January through August 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 28 from January to November 2010

Convictions: 19 from January to November 2010

Assets forfeited: *criminally:* Not available *civily:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Georgia is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Georgia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

As per information supplied by the Financial Monitoring Service (FMS) money laundering investigations and prosecutions increased in 2010. Most of the money laundering prosecutions are autonomous, with no conviction for a predicate crime. Most of these autonomous money laundering cases derive from various forms of corruption and fraud. Investigations into narcotics, extortion, weapons of mass destruction, and smuggling rarely have a financial component as law enforcement agencies in Georgia do not routinely link traditional investigations into criminal enterprises with money laundering. This is particularly alarming in light of the large number of casinos in Georgia. While casinos are required to report cash transactions over 30,000 GEL (approximately \$17,000), there were only eight reports in 2010 and two reports in 2009. There were no suspicious transaction reports (STRs) for casinos in either year.

Banks, notaries, broker companies and micro finance organizations do file a relatively high number of currency transaction reports (CTRs) and STRs with FMS. Yet there are very few investigations by law enforcement based on these reports. The data compiled by FMS is an untapped tool for discovering predicate money laundering crimes.

There has also been a lack of coordination between various Georgian enforcement agencies, including customs. There have been virtually no seizures of bulk currency leaving Georgia.

Germany

Germany is one of the largest financial centers in Europe. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics. Organized criminal groups involved in drug trafficking and other illegal activities are a significant source of money laundering in Germany. Trends in money laundering in Germany cited in 2009 include trade in CO₂ emission certificates, cash and gold transactions, and commercial websites that did not ship goods after receiving payment. Germany is not an offshore financial center. Free Trade Zones of control type I exist in Bremerhaven, Cuxhaven, and Hamburg. Deggendorf and Duisburg are control type II Free Trade Zones (unfenced inland ports).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Both

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Credit institutions, financial services institutions, financial enterprises, insurance companies, insurance intermediaries, investment companies, lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents, trust or company service providers, real estate agents, casinos, persons trading in goods

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Credit institutions, financial services institutions, financial enterprises, insurance companies, insurance intermediaries, investment companies, lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents, trust or company service providers, real estate agents, casinos, persons trading in goods

Number of STRs received and time frame: 9,046 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 518 in 2009

Convictions: 416 in 2009

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Germany is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/44/19/44886008.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2009, suspicious transaction reports increased 23% compared to 2008. The increase mostly comes from an increased number of "financial agents," i.e., persons who are solicited to make their private accounts available for money laundering transactions. Authorities confirmed the suspicion of a criminal

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act in about half of the reports (46%). While Germany has no automatic CTR requirement, large currency transactions frequently trigger a report.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice and applies only to previously-filed reports. Otherwise, it is an administrative offense that carries a fine of up to € 50,000 (approximately \$64,900) under the Money Laundering Act. Legal persons are only covered by the Administrative Offenses Act, and are not criminally liable under the Criminal Code.

In July 2010, Germany banned the Frankfurt-based Foundation for Human Rights and Freedoms and Humanitarian Relief (IHH) because it “knowingly and deliberately supports organizations that either are under Hamas control or support Hamas themselves”. According to the German Interior Ministry, the German-based IHH, which ostensibly split from the Turkish IHH, funneled money to Hamas.

The numbers of prosecutions and convictions included in this report only reflect cases in which the money laundering violation carried the highest penalty of all the crimes of which the offender was convicted. A trial continued in 2010 against seven persons accused of laundering money from cocaine sales throughout Europe by transporting it to Lebanon. According to the press, in May 2008 customs officers found € 8.7 million (approximately \$11.3 million) hidden in luggage at Frankfurt Airport. A police search of the subject men's apartment unearthed an additional € 500,000 (approximately \$649,300). Additional arrests were made in October 2009.

Germany has no statistics on assets forfeited in criminal money laundering cases, as money laundering is usually only one of the charges leading to conviction. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes.

Germany has signed, but not yet ratified, the UN Convention against Corruption.

Ghana

Ghana is not a regional financial center, but as it develops economically its financial sector is becoming more important regionally. Most of the money laundering in Ghana involves narcotics or public corruption. Ghana is a significant transshipment point for cocaine and heroin transiting from South America, Iran and Afghanistan to Europe and the United States. Public corruption is a major source of money laundering in Ghana, occurring mainly through public procurements and the award of licenses. Criminals also launder illicit proceeds through investment in banking, insurance, real estate, automotive import, and general import businesses, and reportedly, donations to religious institutions. Financial crimes such as advance fee fraud, known as Sakawa in Ghana, stolen credit and ATM cards originating in Ghana, and check cloning continue to increase.

Informal financial activity accounts for about 45 percent of the total Ghanaian economy. Some traders import counterfeit goods or smuggle goods to evade taxes. In most cases the smugglers bring the goods into the country in small quantities, and Ghanaian authorities have no indication these smugglers have links to criminals who want to launder proceeds from narcotics or corruption. Trade-based money laundering is sometimes used to repatriate “profit” and also for payment of lower customs duties and other taxes.

In September 2007, following amendments to the Banking Act, Barclays Bank set up the first offshore banking facility in Ghana. Regulations governing domestic and offshore banks are largely similar. Both are required to perform customer due diligence and file suspicious transaction reports (STRs). Ghana has designated four free trade zone (FTZ) areas, but the Tema Export Processing Zone is currently the only

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active FTZ. Ghana also licenses factories outside the FTZ area as free zone companies. Free zone companies must export at least 70 percent of their output. Most of these companies produce garments and processed foods. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies. There are identification requirements for companies, individuals, and their vehicles in the free zone; however, monitoring and due diligence procedures are lax.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Both

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, insurance and securities firms, casinos, auctioneers, notaries, lawyers, non-governmental organizations, accountants, religious bodies, real estate developers, operators of games of chance, trust and company service providers, businesses engaged in providing financial services that involve the remittance or exchange of funds, dealers in motor vehicles, dealers in precious minerals and stones

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, insurance and securities firms, casinos, auctioneers, notaries, lawyers, non-governmental organizations, accountants, religious bodies, real estate developers, operators of games of chance, trust and company service providers, businesses engaged in providing financial services that involve the remittance or exchange of funds, dealers in motor vehicles, dealers in precious minerals and stones

Number of STRs received and time frame: 50 from January 2010 to November 2010

Number of CTRs received and time frame: 0 from January 2010 to November 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: 0 ***civilly:*** 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Ghana is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: www.giaba.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are six law enforcement agencies involved in investigating money laundering and financial crimes.

In 2010, the Government of Ghana (GOG) took significant steps to establish its Financial Intelligence Center, and passed an Economic and Organized Crime Office Act and Mutual Legal Assistance Act. To remedy deficiencies, the GOG is working to pass subsidiary legislation, which should improve capacity among the agencies impacted. The GOG should make every effort to pass asset seizure and forfeiture legislation that comports with international standards as soon as possible. Once the laws are in place, Ghana should take the necessary steps to promote public awareness and understanding of financial crime, money laundering and terrorist financing activities. Additionally, the GOG should fully implement its customer due diligence and reporting requirements across all covered sectors and institute a beneficial ownership identification requirement, requiring the true names of all onshore and offshore entities and their beneficial owners to be held in a registry accessible to law enforcement. The GOG should increase cooperation and information sharing with other governments. Ghana should also become a party to the UN Convention against Transnational Organized Crime.

Gibraltar

Gibraltar is an overseas territory of the United Kingdom (UK) and has been part of the European Union since 1973. A November 2006 referendum resulted in constitutional reforms transferring powers exercised by the UK government to Gibraltar. Gibraltar has an international financial center which is small internationally, but large in comparison to its domestic economy. The financial services sector has strong ties to London, the Crown Dependencies, Israel and other financial centers. Located at the southern tip of the Iberian Peninsula, bordering Spain and near the north coast of Africa, Gibraltar is adjacent to known drug trafficking and human smuggling routes and is heavily policed on land and at sea because of the risk of these activities occurring within its borders or territorial waters.

Gibraltar is exposed to money launderers located in drug producing centers in Morocco and drug consumption and distribution networks in Spain. With the establishment of organized criminal activities from Eastern Europe into southern Spain, there is potential for launderers to use Gibraltar as a base for money laundering. These risks are mitigated by the small coastline and effective policing. Border controls between Gibraltar and Spain also help deter potential money launderers wishing to use Gibraltar for their activities.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Legal persons covered: *criminally:* Not available *civilly:* Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, mutual savings companies, insurance companies, financial consultants, investment business, postal services, exchange bureaus, attorneys, accountants, financial regulatory agencies, unions, casinos, lotteries, charities, car dealerships, yacht brokers, company formation agents, political parties, real estate agents, notaries, and dealers in gold bullion and high value goods

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Any person, whether or not they conduct financial services business

Number of STRs received and time frame: 339 in 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2010

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Gibraltar has a comprehensive range of anti-money laundering/countering the financing of terrorism (AML/CFT) laws. The criminal laws on money laundering have been consolidated in draft form, and powers presently available only in drug-related money laundering cases are being extended to money laundering cases involving the proceeds of other crimes. The Financial Services Commission (FSC), a unified regulatory and supervisory authority for financial services, notes the increasing sophistication of money launderers and should continue to review regulatory and supervisory practices to keep pace with new developments.

Gibraltar, as a UK overseas territory, cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Gibraltar's international affairs and may arrange for the ratification of any convention to be extended to Gibraltar. The UN Convention against Transnational Organized Crime was extended to Gibraltar in 2007. The 1988 Drug Convention, the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption have not yet been extended to Gibraltar.

Greece

Greece is considered to be a regional financial center in the developing Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large shadow economy make the country vulnerable to money laundering and terrorist financing. Greek law

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enforcement proceedings indicate that Greece is vulnerable to narcotics trafficking, trafficking in persons and illegal immigration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion. Anecdotal evidence of illicit transactions suggests an increase in financial crimes in the past few years and that criminal organizations (some with links to terrorist groups) increasingly are trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe and the Balkan region are responsible for a large percentage of the crime that generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion, though as part of Greece's three-year €110 billion (approximately \$143 billion) European Union (EU)-IMF program, the government is trying to crack down on both trends. Due to the large informal economy – estimated by the Organization for Economic Co-operation and Development and others to be between 25 and 37 percent of GDP – it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination list and threshold approach

Legal persons covered: *criminally:* NO *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>.

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, *bureaux de change*, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auction houses; and dealers in high value goods and auctioneers, whenever the transaction value exceeds EUR 15,000 (approximately \$19,500); notaries and lawyers

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, *bureaux de change*, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts and related firms;

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real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auction houses; and dealers in high value goods and auctioneers, whenever the transaction value exceeds EUR 15,000 (approximately \$19,500); notaries and lawyers

Number of STRs received and time frame: 2,304 in 2009; 2,392 through December 28, 2010.

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 42 in 2008; more recent data not available

Convictions: 34 in 2008; 20 through June 2009

Assets forfeited: criminally: Not available *civilly:* Not Applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Greece is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: [http://www.fatf-](http://www.fatf-gafi.org/document/23/0,3343,en_32250379_32236963_38916695_1_1_1_1,00.html)

[gafi.org/document/23/0,3343,en_32250379_32236963_38916695_1_1_1_1,00.html](http://www.fatf-gafi.org/document/23/0,3343,en_32250379_32236963_38916695_1_1_1_1,00.html)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Greece ratified the United Nations Convention against Transnational Organized Crime in August 2010, and amended its anti-money laundering/countering the financing of terrorism (AML/CFT) law to adequately criminalize and widen the scope of the terrorist financing offense. The Government of Greece (GOG) also improved the supervisory capacity of its key supervisors.

Despite continued improvements in Greece's AML/CFT regime, a number of deficiencies remain, and Greece continues to be subject to enhanced follow-up by the FATF.

The GOG has been working to improve the effectiveness of the Greek financial intelligence unit; however, deficiencies pertaining to staffing and information technology remain. While the Greek authorities have hired more staff and ensured that STR analysis is carried out only by full-time FIU staff, the total number of employees still appears insufficient to carry out the extensive functions with which the FIU is tasked. The GOG should make available adequate human and financial resources to ensure the FIU is able to fulfill its responsibilities, ensure its powers are in-line with the international standards related to a financial intelligence unit, and ensure its technical and data management systems and capacities support its functions.

Greece should ensure that its confiscation regime is more effectively implemented and used. While the 2008 AML/CFT law contains provisions allowing civil asset forfeiture, Greek authorities advise it is not practical to launch civil procedures and currently do not do so. The government also should develop an arrangement for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

Although the law provides for the freezing, seizure, and confiscation of terrorist assets, Greece has a limited ability to freeze funds in accordance with UNSCR listings of designated terrorists outside of the EU listing system. In the absence of a comprehensive listing and freezing regime, Greece uses an administrative procedure for freezing assets of suspected terrorists designated as such domestically or upon request from a foreign authority. While the GOG advises it is not necessary to open a criminal

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investigation to use this procedure, it is not clear how quickly it works, and whether all supervised entities are complying. The GOG does not provide guidance to financial institutions and designated non-financial businesses and professions on freezing assets without delay, and does not monitor for compliance. In July 2010 the Bank of Greece introduced sanctions for credit and financial institutions for failure to promptly apply freezing requests or respond without delay to such requests. The GOG advises it is in the process of drafting legislation that would introduce a comprehensive system for suspected terrorists' designation and listing, and asset freezing in accordance with UNSCRs 1267 and 1373.

While Greece has made positive strides in the supervision area, particularly with its recent move to transfer supervisory powers over the insurance sector to the Bank of Greece, a shortage of personnel at the Hellenic Capital Markets Commission (which supervises securities firms, brokers, other financial intermediaries, and clearing houses) remains and continues to challenge its effectiveness. In addition, it is not clear whether the Ministry of Justice has enough resources available to deal with ML or TF related cases.

The GOG should adopt regulations to report large currency transactions and explicitly abolish company-issued bearer shares. It should also ensure uniform enforcement of its cross-border currency reporting requirements and take further steps to deter the smuggling of currency across its borders. Greece also should ensure that companies operating within its free trade zones are subject to the same AML/CFT requirements and customer due diligence provisions as other sectors and work steadfastly to bring charitable and nonprofit organizations under the AML/CFT regime.

Grenada

Grenada is not a regional financial center. As a transit location, money laundering in Grenada is primarily related to smuggling and drug trafficking. Illicit proceeds are typically laundered through a wide variety of businesses, as well as through the purchase of real estate, boats, jewelry, and cars.

Grenada uses the East Caribbean dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). The ECCB has supervision responsibility for Grenada's commercial banks. Seven other island economies are also members of the ECCB: Anguilla, Antigua and Barbuda, Dominica, St. Lucia, Montserrat, St Kitts and Nevis, and St Vincent and the Grenadines. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

Grenada's domestic financial sector is comprised of 26 registered domestic insurance companies, 12 credit unions, and five money remitters. Grenada has one trust company and, as of November 2008, there were 1,580 international business companies (IBCs); however, in 2010 the GOG reported only 73 IBCs. There is one International Betting Company licensed to conduct business in Grenada, but no casinos or Internet gaming sites in operation. There are no free trade zones in Grenada.

Bearer shares are not permitted for offshore banks. Registered agents are required by law to verify the identity of the beneficial owners of all shares. In addition, the International Companies Act requires registered agents to maintain records of the names and addresses of company directors and beneficial owners of all shares.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; agricultural credit institutions; money exchangers and remitters; casinos and gaming centers; securities dealers; the stock exchange; insurance; precious gem dealers; real estate intermediaries; and lawyers, notaries, and accountants

Number of STRs received and time frame: 100 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four in 2008, two still pending in 2010

Convictions: 0

Assets forfeited: criminally: Not available *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Grenada is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Grenada_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Grenada_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Grenada should become a party to the UN Convention against Corruption.

The anti-money laundering guidelines, such as STR reporting requirements, beneficial ownership identification, and record keeping, should become mandatory rules.

The Government of Grenada should establish an asset forfeiture and confiscation regime and establish mechanisms to identify and regulate alternative remittance systems. It should also increase due diligence requirements and require banks to gather information about their correspondent banks; establish large currency transaction reporting requirements and a cross-border currency declaration system; and explicitly prohibit shell banks. Dealers in precious metals and jewelry should become subject to AML

reporting requirements. To improve the conduct of money laundering investigations, the FIU should improve coordination with other law enforcement bodies.

To strengthen its legal framework against money laundering, Grenada should move expeditiously to become a party to the UN Convention against Corruption and should be very cautious if it decides to redevelop its offshore financial sector.

Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for returning cash to South America. Open source reports suggest that the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement and judiciary systems coupled with endemic corruption and increasing organized crime activity contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking and corruption are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There are free trade zones operating in the country. There are no reported hawala or other similar alternative remittance systems operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Money Laundering and Financial Crimes

Covered entities: Banks; finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; pawnbrokers; notaries and accountants; tax advisors and lawyers; casinos, raffles and games of chance; dealers in motor vehicles, precious metals and stones, and art and antiquities; and real estate agents

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; pawnbrokers; notaries and accountants; tax advisors and lawyers; casinos, raffles and games of chance; dealers in motor vehicles, precious metals and stones, and art and antiquities; and real estate agents

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 in 2009

Convictions: 11 in 2009

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Guatemala is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Guatemala_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Guatemala_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are relatively few convictions for money laundering, most of which are for the illegal transport of cash. The number of staff at the FIU and the capacity of law enforcement officials may hamper the ability of the authorities to prosecute more cases.

Former President Alfonso Portillo was indicted in the United States in December 2009 with one count of conspiracy to commit money laundering. Both a Guatemalan trial and appellate court have approved his extradition to the United States and the case is currently on appeal before the Guatemalan Supreme Court.

Law enforcement agencies report that money laundering has increased during the year, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and a large number of small deposits in banks along the Guatemalan border with Mexico. A new law regarding asset seizures, passed by Congress in December 2010, will take effect in June 2011 and allows Guatemalan authorities to seize cash in structuring transactions and transfer it to the state without first having to obtain a criminal conviction against the courier. The same law will also prevent new businesses from issuing bearer shares of stock. The law requires any existing business with bearer shares to convert the shares to nominative by June 2013, but it is not clear what the consequences will be for failure to do so.

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In October, Guatemalan monetary authorities approved a regulation to establish limits for cash transactions in foreign currency to reduce money laundering and terrorism financing risks. The law states that deposits totaling over \$3,000 in any given month will be subject to additional requirements.

Casinos are not legal in Guatemala, however, a number of casinos, games of chance and video lotteries operate, both onshore and offshore. There is no regulatory oversight or legal framework for casino operation, although they are listed as covered entities under the AML law. Attempts by the government to enforce requirements are not successful. Lotteries and raffles are subject to local jurisdiction licensing but are not subject to AML/CFT supervision. Unsupervised gaming activity represents a significant money laundering risk.

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the United Kingdom, it relies on the United Kingdom (UK) for its defense and international relations. Alderney and Sark have their own separate parliaments and civil law systems. Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. The Bailiwick is a sophisticated financial center and, as such, it continues to be vulnerable to money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: All financial services businesses; lawyers, accountants and estate agents; and eGambling services.

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: All businesses

Number of STRs received and time frame: 673 in 2010

Number of CTRs received and time frame: 105 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two

Convictions: Two in 2010

Assets forfeited: *criminally:* \$1,567,265 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The IMF's December 2010 "Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism" for the Bailiwick of Guernsey can be found at:

<http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the US, using the full range of investigatory powers in the law.

Guernsey's comprehensive AML/CFT legal framework provides a sound basis for an effective AML/CFT regime, and most shortcomings are technical in nature. Money laundering and the financing of terrorism are criminalized fully in line with the FATF standard and the legal framework provides an ability to freeze and confiscate assets in appropriate circumstances. While no shortcomings have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering cases resulting in convictions raises questions concerning the effective application of money laundering provisions.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any Convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick on April 3, 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the Bailiwick.

Guinea

Guinea is not a regional financial center. In the past three years, Guinea has undergone profound political change, which has seen it go from a country heavily focused on narcotics control and anti-money laundering, to a country where these issues take a back seat to more pertinent issues such as democratization and macroeconomic reform. Guinea's economy is weak and largely cash-dependant and its fragile banking sector is an unlikely conduit for large-scale money laundering activities. However, due to its history of political instability, high corruption, and neighbors such as Guinea-Bissau, Guinea has been an historical hub of drug trafficking. The scale of trafficking and level of funding that trafficking funnels into other spheres, such as international terrorism, is unknown. Reliable figures and estimates are unavailable, as Guinea's security forces are ill-equipped and disorganized, relying upon international institutions to carry out large-scale investigations into trafficking activities.

Because of the weak banking institutions and reliance on hard-currency, the Guinean black market is a thriving and vital part of the economy. Contraband is common, with estimates that up to 70-80% of all

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pharmaceutical goods sold in Guinean markets are counterfeit. Foreign currency exchange is a popular activity in the black market, as the official state sanctioned exchange rate for the local Guinean Franc (GnF) to the US dollar or euro does not come close to the actual exchange rate. Almost all major commercial activities are completed in foreign currency. The mining sector accounts for more than 70% of exports. Long-run improvements in government fiscal arrangements, literacy, and the legal framework are needed if the country is to move out of poverty.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Public Treasury, Central Bank, financial institutions, real estate and travel agencies, auditors, service companies, cash couriers, casinos, NGOs, lawyers, accountants, brokers, dealers, notaries

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Public Treasury, Central Bank, financial Institutions, real estate and travel agencies, auditors, service companies, cash couriers, casinos, NGOs, lawyers, accountants, brokers, dealers, notaries

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Guinea is a member of the Intergovernmental Action Group against Money Laundering and the Financing of Terrorist in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Guinea has not yet undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Effective enforcement of the existing laws continues to be the largest issue in Guinea. During 2009, Guinea was run by a military junta which frequently created charges of drug trafficking to arrest, intimidate, and steal from political enemies and wealthy citizens and businesses. In the few instances where individuals did go to trial, the proceedings amounted to little more than a show-trial, and final rulings were rarely announced.

In February 2010, the junta government was replaced by a Transition Government, which governed Guinea until democratic elections in June and November, 2010. The Transition Government suffered from a severe lack of funds and an overwhelming concentration on organizing presidential elections, leaving money laundering and trafficking issues to become relegated to non-priority topics.

Although there are institutions in place to investigate money laundering and financial irregularities, they are severely limited in authority and scope. For example, the financial intelligence unit, headquartered in the Central Bank, is hampered by a lack of resources, corruption, and political instability.

The Guinean security forces are also ill-equipped and under-trained. For the last several years, they have been reliant upon outside assistance and training in matters of money laundering and prosecution. In cases where legal means do take their proper course, the proceedings are usually derailed at the judicial level— or within higher government ranks. Transparency International's 2010 Corruption Perceptions Index ranks Guinea as the 164 of 178 countries worldwide.

Guinea-Bissau

The Government of Guinea-Bissau is not in full compliance with international conventions against money laundering and terrorist financing because of inadequate resources, weak border controls, and competing national priorities. Of all West African countries, none has been so thoroughly penetrated and corrupted by Latin American drug cartels as Guinea-Bissau. Drug barons from Latin America and their collaborators from the region and other parts of the world have taken advantage of the extreme poverty, unemployment, political instability, lack of effective customs and law enforcement, and general insecurity to make the country a major transit point for cocaine destined to consumer markets, mainly in Europe. One of the poorest countries in the world, the value of the illicit narcotics trade in Guinea-Bissau is much greater than its national income. Using threats and bribes, drug traffickers infiltrate state structures and operate with impunity.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers

Number of STRs received and time frame: 0 in 2009

Number of CTRs received and time frame: 0 in 2009

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Guinea Bissau is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In April, 2010, the United States Treasury froze the assets of two top Guinea-Bissau military officers and designated them as major drug kingpins.

Reportedly, banks are reluctant to file STRs because of the fear of “tipping off” by an allegedly indiscrete judiciary. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank’s solicitation of an asset list from its client could also amount to “tipping off” the subject.

Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries hampers cooperation.

The Government of Guinea-Bissau (GOGB) should continue to work with its partners in GIABA, the Economic Community of West African States (ECOWAS) and others to establish and implement an effective anti-money laundering/counter-terrorist financing (AML/CFT) regime. The government needs urgent help to restore sovereignty, administer justice and regain control of its borders. The GOGB should ensure the sectors covered by its AML law have implementing regulations and competent authorities to ensure compliance with the law’s requirements. It should also amend its terrorist financing law to comport with international standards. The GOGB should establish, staff and train its FIU, and ensure that

resources are available to sustain its capacity. It should work to improve the training and capacity of its police and judiciary to combat financial crimes. Guinea-Bissau should undertake efforts to eradicate systemic corruption. The GOGB should become a party to the UN Convention for the Suppression of the Financing of Terrorism, and the UN Conventions against Corruption and Transnational Organized Crime.

Guyana

Guyana is neither an important regional nor an offshore financial center, nor does it have any free trade zones. Money laundering is perceived as an increasingly serious problem and has been linked to narcotics (principally cocaine), and possibly firearms transshipments between Latin America, Europe, and North America. Guyanese media routinely link high-level public officials to trafficking and money laundering operations. Corruption and fraud are also problems. Guyana's informal cash-based economy appears to involve significant amounts of contraband goods and narcotics. Proceeds from contraband are laundered primarily through non-bank money-transfer operations. Additionally, large sums of cash are being taken out of the country. Not only does this cash out-flow come from illegal activity, but also from legitimate businesses seeking to avoid taxes and the restrictions and costs of banks. The Government of Guyana made one arrest and prosecution for money laundering in 2010, compared to none in 2009.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Depository institutions; lending institutions; financial leasing entities; money transfer services; money exchangers; pawn brokers; credit issuers; guarantors; traders of foreign exchange, futures, options and securities; underwriters; financial advisers; money brokers; credit unions; portfolio managers; administrators of securities; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metal and stones; and registered charities

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Depository institutions; lending institutions; financial leasing entities; money transfer services; money exchangers; pawn brokers; credit issuers; guarantors; traders of foreign exchange, futures, options and securities; underwriters; financial advisers; money brokers; credit unions; portfolio managers; administrators of securities; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metal and stones; and registered charities

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2010

Convictions: One in 2010

Assets forfeited: criminally: 0 in 2010 *civilly:* 0 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Guyana is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.cfatf-gafic.org/reports-a-documents/cat_view/22-english/23-annual-reports.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Implementation of the 2007 Anti-Money Laundering and Countering the Financing of Terrorism legislation (enacted in 2009) continues at a slow and steady pace. The legislation and accompanying regulations (issued in September 2010) provide for an expanded financial intelligence unit (FIU) and law enforcement authority in order to fight money laundering and terrorist financing.

The Government of Guyana (GOG) is highly centralized and hierarchical; most significant decisions require presidential approval. This discourages individual initiative and the exercise of individual discretion. Consequently, the progress of projects can be frustratingly slow. Thus awareness and understanding of the anti-money laundering regime and the anti-money laundering/counter-terrorist financing (AML/CFT) law are limited. Agencies with capacity to investigate money laundering cases tend to pass such matters on to the FIU for handling. These agencies do not understand the FIU's role, or how to investigate AML/CFT crimes. Further, there is an overall lack of awareness of the provisions of the law – and the importance of combating money laundering, in general. The judicial system is insufficiently prepared for money laundering enforcement; the United Kingdom provided assistance in the only AML/CFT prosecution. GOG officials have expressed a desire to increase the capacity and effectiveness of their anti-money laundering regime.

Haiti

International donors reacted to the Haitian earthquake, tropical storms and cholera epidemic of 2010 by pumping much-needed currency and investments for disaster relief and reconstruction into the country. The earthquake impacted all aspects of Haitian life including ripple effects in the banking, commercial and criminal justice institutions. Despite improving financial intelligence and enforcement capacity, the weakness of the Haitian judicial system and prosecutorial mechanism continues to leave the country vulnerable to corruption and money laundering. Haitian organized crime groups are engaged in drug trafficking and other criminal and fraudulent activity, but do not appear to be involved in terrorist financing. Haiti is the poorest country in the Western Hemisphere and relies heavily on remittances from the large expatriate Haitian community.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

Money Laundering and Financial Crimes

US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and non-bank financial institutions including casinos and money remitters

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks

Number of STRs received and time frame: Nine in an unknown time frame

Number of CTRs received and time frame: 146,627 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: 14 houses confiscated and slated for sale; five houses confiscated and donated to GOH law enforcement agencies; \$2,000,000 currency seized ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Haiti is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafig.org/index.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Haiti suffered a devastating earthquake on January 12, 2010 which destroyed 28 of 29 Haitian ministry buildings and the Presidential Palace. In addition, an outbreak of cholera, floods and a contested Presidential election were all contributing factors slowing, but not stopping, the activities of the key institutions involved in financial intelligence, anti-money laundering enforcement, and asset forfeiture and seizure.

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The Government of Haiti (GOH) remains hampered by ineffectual and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. A Presidential commission has drafted new criminal and criminal procedural codes that require parliamentary approval. The anti-terrorist legislation drafted and submitted to Parliament is also awaiting Parliamentary approval.

Following the January 2010 earthquake, banks, with the exception of the Central Bank, could not transmit reports to UCREF. The UCREF also lost office space as a result of the earthquake and, together with a few other law enforcement agencies, has relocated to a building confiscated from a Colombian drug dealer. The UCREF is making plans to review casino operations in Haiti and ensure that casinos are properly licensed and are made aware of their responsibilities as defined in the GOH anti-money laundering legislation.

BAFE, a unit within the Haitian National Police continues to work closely with the DEA to seize and confiscate properties owned by convicted drug traffickers serving prison sentences in the United States. Haiti is not a party to the International Convention for the Suppression of the Financing of Terrorism or the UN Convention against Transnational Organized Crime.

Honduras

Honduras is not an important regional or offshore financial center. Money laundering in Honduras stems primarily from significant narcotics trafficking, particularly cocaine, throughout the region. Human smuggling of illegal immigrants into the United States also constitutes a growing source of laundered funds.

Honduras's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

Money laundering in Honduras derives both from domestic and foreign criminal activity, and the majority of proceeds are suspected to be controlled by local drug trafficking organizations and organized crime syndicates. Laundered proceeds typically pass directly through the formal banking system, but laundering funds through remittance companies, currency exchange houses, the construction sector, and automobile and real estate front companies may be increasing. These factors, combined with the country's lack of resources for investigations and analysis, and corruption within the law enforcement and judicial sectors, contribute to a favorable climate for significant money laundering in Honduras. There is not a significant black market for smuggled goods; however, there is some smuggling of items such as firearms, gasoline, illegally caught lobster and cigarettes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, lending companies, and financial service companies; checks cashers; issuers or processors of financial instruments, traveler's checks, or money orders; money transfer businesses; and casinos and gaming establishments

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; insurance companies; money exchange or remittance services; cooperative institutions and financial societies; credit card issuers; securities firms; private pension funds; notaries; real estate intermediaries; car dealers; dealers in precious metals, jewels, art and antiquities; and lotteries and casinos

Number of STRs received and time frame: 320 from January to November 2010

Number of CTRs received and time frame: 46 from January to November 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 42 in 2010

Convictions: Ten in 2010

Assets Forfeited: criminally: Approximately \$2,890,000 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Honduras is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafic.org/downloadables/mer/Honduras_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Lack of data and systematic analysis make it difficult for the Honduran government to identify trends in money laundering. Inadequate training coupled with insufficient funding significantly diminishes the Honduran government's ability to investigate and bring to successful prosecution money laundering offenses. Furthermore, limited resources hamper the government's ability to enforce the law and its attendant regulations.

While mechanisms are in place to freeze terrorist assets, systematic issues and lack of capacity hinder timely action.

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In July 2010, Honduras passed a new Asset Forfeiture Law. Since the law went into force, Honduran police seized three properties, collectively worth over \$15 million. Nevertheless, Honduras does not yet have the infrastructure necessary for fully effective implementation of the new law. In November, the Emergency Seized Assets Availability Law authorized the immediate disbursement of seized assets.

In May 2010, the National Banking and Insurance Commission imposed enhanced due diligence requirements for PEPs.

The legality of bearer shares presents a significant money laundering vulnerability. Insurance brokers, lawyers and accountants are exempted from reporting requirements, posing an additional money laundering vulnerability.

Hong Kong

Hong Kong, a Special Administrative Region of the People's Republic of China, is a major international financial and trading center. As of December 2010, Hong Kong's stock market was the world's seventh largest and Asia's third largest with total market capitalization of \$2.71 trillion. Already the world's 15th largest banking center and sixth largest foreign exchange trading center, Hong Kong continued its expansion as an offshore Renminbi (RMB) financing center, accumulating in 2010 over \$48 billion in RMB-denominated deposits at authorized institutions. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls, present vulnerabilities for money laundering, including trade-based money laundering. The primary sources of laundered funds in Hong Kong are corruption, tax evasion, fraud, illegal gambling and bookmaking, prostitution, loan sharking, commercial crimes, and intellectual property rights infringement. Criminal proceeds laundered in Hong Kong are derived from local and overseas criminal activities, but Hong Kong law enforcement authorities attribute only a small percentage of these laundered funds to drug-trafficking organizations.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civily:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, securities and insurance entities, and money exchangers

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: All persons, irrespective of entity or amount of transaction

Number of STRs received and time frame: 19,690 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 332 in 2010

Convictions: 279 in 2010

Assets forfeited: Criminally: As of December 2010, \$9.33 million was under a court confiscation order but not yet paid to the government *Civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Hong Kong is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/19/38/41032809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

U.S. government agencies enjoy excellent working relationships with Hong Kong's law enforcement personnel and financial regulators. Cooperation includes joint investigative efforts, information exchange, training, and extraditions.

In October 2010, the Government of Hong Kong introduced to the legislature a draft bill that, if passed, would provide statutory backing to existing financial regulatory guidelines, provide for administrative and criminal sanctions authority, and establish a regulatory regime for money changers.

In April 2010, the Government of Hong Kong initiated a study to evaluate the implementation of a cross-border currency reporting system. The government's work plan calls for an evaluation of the feasibility of tracking and monitoring currency movements in/out of its borders, including necessary legislative and resource requirements.

Hong Kong still needs to institute mandatory oversight for designated non-financial businesses and professions, and implement mandatory cross-border currency reporting requirements, both potential loopholes for money launderers and terrorist financiers. Hong Kong should also establish threshold reporting requirements for currency transactions and put in place "structuring" provisions to counter evasion efforts. As a major trading hub, Hong Kong should also closely examine trade-based money laundering.

Hungary

Hungary is not considered a major financial center and is not generally viewed as a high-risk country for money laundering; however, its pivotal location in Central Europe - as a European Union (EU) member, but also a link between the former Soviet Union and Western Europe - as well as its cash-based economy

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and well-developed financial services industry make it attractive to foreign criminal organizations. The preponderance of money laundering cases appears to stem from financial and economic crimes, such as fraud, embezzlement, tax evasion, and tax and social security fraud, although narcotics trafficking, prostitution, trafficking in persons, and organized crime also contribute. Other prevalent economic and financial crimes include real estate fraud and the copying/theft of bankcards. There have been several cases involving foreign organized crime groups from Russia, Ukraine, Lithuania, China and Vietnam. There is a sizeable black market for smuggled goods in Hungary, primarily related to customs, excise, and value-added tax evasion. Illegal products are currently estimated to account for ten percent of the market. No international terrorist groups are known to operate in Hungary. Funding sources for the extreme right-wing Hungarian Arrows are currently unknown but under investigation.

There are numerous indicators that trade-based money laundering occurs in Hungary. Several Hungarian-based companies engaged in trading commodities such as natural gas, metals, and fertilizer, as well as a large pharmaceutical firm, are owned by offshore entities where beneficial ownership information is unclear, or whose owners have reported ties to individuals associated with Russian and Ukrainian-based organized crime groups, reportedly entrenched in Hungary, and/or with high-ranking politicians in Russia, Ukraine, and/or Hungary. Several of these companies employ transfer pricing and/or intercompany loan schemes involving networks of similarly shadowy international companies to obscure the sources of funds and the true beneficiaries of their profits. Several such companies also maintain relationships with banks in Hungary.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, investment services, insurance services, insurance intermediary services or employer pension services, commodity exchange services, domestic and international postal money orders, mutual insurance fund services, real estate or brokering services, auditing services, accountancy, bookkeeping, tax consultant services, casinos, precious metals, trading of high-value goods, lawyers or notaries

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, investment services, insurance services, insurance intermediary services or employer pension services, commodity exchange services, domestic and international postal money

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orders, mutual insurance fund services, real estate or brokering services, auditing services, accountancy, bookkeeping, tax consultant services, casinos, precious metals, trading of high-value goods, lawyers or notaries

Number of STRs received and time frame: 6518 (January 1, 2010 - November 30, 2010)

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Nine

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Hungary is a member of the Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Hungary_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Hungary has worked continuously to improve its money laundering enforcement regime, in particular to strengthen its legal and institutional framework. The Government of Hungary (GOH) is also committed to international cooperation in the fight against the financing of terrorism, and opened a new Counter Terrorism Center on September 1, 2010. Despite these areas of progress, there is more room to improve cooperation and coordination among law enforcement entities and the prosecution service to more effectively investigate and prosecute money laundering cases. There are still very low numbers of prosecutions for money laundering and of orders to confiscate assets after 16 years of criminalization. The GOH should insure that the physical elements of money laundering are in line with international standards.

Of particular concern is the continued existence of anonymous savings accounts, although their issuance was stopped in 2001. Hungary should immediately convert these anonymous accounts, given the risk they pose to the overall AML/CFT regime.

The Hungarian Financial Intelligence Unit (HFIU) lacks independence and autonomy and its legislation does not allow for the HFIU to have direct or indirect access, on a timely basis, to information to properly undertake its functions other than suspicious transaction report (STR) analysis. However, as of January 2011, due to a new law on national tax and customs authorities, there will be a separate law enforcement authority within the Hungarian Finance and Customs Guard (under the authority of which the HFIU operates), that will have its own legal jurisdiction. While the HFIU will not have a separate budget, it will have a larger influence on budgetary decisions. The GOH should strengthen Hungary's FIU by insuring that the head of the HFIU has control over the budget allocated for the FIU, the power to challenge decisions concerning information dissemination, and the authority to sign memoranda of understanding with other FIUs. The HFIU also should conduct outreach to obligated entities to ensure that STRs are provided for both money laundering and terrorist financing purposes, not just for tax-related reasons.

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Hungary should increase training for prosecutors, judges, and law enforcement personnel who require enhanced knowledge to promote the successful prosecution of money laundering cases. Improved supervision, outreach and guidance by Hungary's supervisory bodies, particularly with regard to designated non-financial business and professions, would help ensure that STR reporting obligations are fulfilled. Increased AML/CFT training for employees of financial institutions and other obligated entities is also necessary to further improve the quality of filed STRs, in particular, those related to terrorist financing.

Iceland

Iceland is not considered a regional financial center. Money laundering in Iceland is related primarily to narcotics smuggling and trading and is not considered a major problem. Criminal proceeds tend to derive from domestic organizations with some linkages to foreign groups. As of late 2010, investigators continued to look into the 2008 collapse of Iceland's financial system and to re-examine allegations that its banks may have been involved in money laundering. Documents relating to such allegations have circulated among officials in Iceland, Denmark, Luxembourg and the Serious Fraud Office in London.

A wide-ranging inquiry into the collapse of Iceland's banks has started to unravel a complicated network of unconventional loan agreements between the banks and high-level business people. A Special Investigation Commission (SIC) delivered a report to the Icelandic parliament in April 2010 concluding that former ministers, the former executive board of the Central Bank, and the former chairman of the Financial Supervisory Authority had made mistakes and showed negligence in their positions. The report states also that the three major banks bear legal responsibility for the crash; they were too large, grew too fast, granted bank owners easy access to loans, and loaned bank employees capital to buy shares of the banks themselves.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; currency exchanges; attorneys; auditors; real estate dealers; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers in vessels or any high-value items

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; currency exchanges; attorneys; auditors; real estate dealers; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers in vessels or any high-value items

Number of STRs received and time frame: 494 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2009

Convictions: None in 2009

Assets forfeited: criminally: 725,308,744 ISK (approximately \$4 million) in 2009 ***civilly:*** Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Iceland is a member of the Financial Action Task Force. Its latest mutual evaluation report can be found here: <http://www.fatf-gafi.org/dataoecd/54/38/37706239.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Iceland (GOI) has improved its anti-money laundering/counter-terrorist financing (AML/CFT) system through the enforcement of existing laws, and review and implementation of international standards. A domestic mechanism should be implemented to allow designation of terrorists at a national level as well as to give effect to designations and asset freeze requests from other countries. The GOI should continue to enhance its AML/CFT program, as appropriate. Iceland should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

India

India's economic and demographic expansion makes it both a regional financial center and an increasingly significant target for money launderers and terrorist groups. India's extensive informal economy and remittance systems, porous borders, strategic location, persistent corruption, and historically onerous tax administration contribute to its vulnerability to financial and terrorist-related crimes.

Tax avoidance and the proceeds of economic crimes (including fraud, cyber crime and identity theft) are still the mainstay of money launderers in India, but laundered funds are also derived from human and narcotics trafficking, transnational organized crime, illegal trade, particularly in endangered wildlife and illegal gems (principally diamonds), and corruption. India also faces an increasing inflow of high-quality counterfeit currency, which is produced primarily in Pakistan but smuggled to India through multiple international routes. Criminal networks exchange counterfeit currency for genuine notes, which not only facilitates money laundering, but also represents a threat to the Indian economy.

India's location between heroin producing countries in the Golden Triangle and Golden Crescent, along with its porous borders, make it a frequent transit point for drug trafficking. Additionally, India is a major producer of licit acetic anhydride, the precursor chemical required to convert morphine base into heroin, making producers susceptible to abuse by illicit networks. India is also a significant target for terrorist

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groups, both external and domestic. Most terrorist activities are conducted by international terrorist groups and entities linked to the global jihad, with the support of both state and non-state external actors. In addition, several domestic separatist and insurgent groups are active. Terrorist groups often use counterfeit currency and hawaladars, as well as physical cross-border currency smuggling, to move funds from external sources to finance their activities in India.

India licenses seven offshore banking units (OBUs) to operate in the Special Economic Zones (SEZ). The OBUs are prohibited from engaging in cash transactions and are restricted to lending to the SEZ wholesale commercial sector. Although located in India, OBUs essentially function like foreign branches of Indian banks, but with defined physical boundaries and functional limits. As such, they are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) provisions as the domestic sector. SEZs were established to promote export-oriented commercial businesses, including manufacturing, trading and services (mostly information technology), and access is controlled by Customs officers. As of December 2010, about 122 SEZs were operating and more than 575 SEZs had been formally approved throughout India.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and merchant banks; insurance companies; housing and non-banking finance companies; casinos; payment system operators; authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; intermediaries; stock brokers; sub-brokers; share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; depositories and depository participants; foreign institutional investors; credit rating agencies; venture capital funds; collective schemes including mutual funds; and the post office

Enhanced due diligence procedures PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and merchant banks; insurance companies; housing and non-banking finance companies; casinos; payment system operators; authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; intermediaries; stock brokers; sub-brokers; share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; depositories and depository participants; foreign

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institutional investors; credit rating agencies; venture capital funds; collective schemes including mutual funds; and the post office

Number of STRs received & time frame: 10,067 (April 2009 - March 2010)

Number of CTRs received & time frame: 6,690,000 (April 2009 - March 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Six (April 2006 - December 2009)

Convictions: Zero

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

India is a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies: the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation is available here:

<http://www.fatf-gafi.org/dataoecd/60/56/45746143.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

India's low number of money laundering convictions and the financial sector's low number of terrorism-related suspicious transaction reports (STRs) are not commensurate with the size of India's economy or its threat profile. Additionally, the lack of severe penalties imposed by regulators against banks and financial institutions, coupled with the low statistics, may indicate a lack of appropriate due diligence procedures and/or weaknesses in the transaction monitoring systems. The Government of India (GOI) should ensure reporting entities fully implement appropriate due diligence procedures, to include both computerized tracking systems and active engagement by trained frontline personnel. The GOI should also emphasize the importance of human intervention and analysis in terrorist financing cases, as the varied profiles of these cases may not trigger an automated report.

The GOI issued circulars requiring financial institutions to examine more closely transactions involving higher risk jurisdictions. The circular requires that written reports be available to competent authorities and auditors. As of December 31, 2010, the AML/CFT Regulatory Framework Assessment Committee finished its evaluation of the institutional framework and began drafting a report on appropriate countermeasures for countries that do not conform to the FATF Recommendations.

The GOI has taken action against certain hawala activities, but its successes generally stem from prosecuting legitimate businesses that conduct hawala transactions on the side. Hawaladars operating entirely outside of the formal economy are difficult to trace, and provide money launderers and terrorist organizations ready access to an extensive but unmonitored network in India. The GOI's liberalization of the foreign exchange regime has helped otherwise legitimate actors move out of hawala and into the formal sector. However, the GOI no longer criminalizes operating a money transfer business without a license. The remaining administrative penalties do not serve as a sufficient deterrent to those engaged in criminal activity. The GOI should re-criminalize operating without a license.

The GOI should also facilitate the development of alternative money transfer services, including mobile banking. This expansion of legitimate, accessible services would allow broader financial inclusion of

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legitimate individuals and entities, and reduce AML/CFT vulnerabilities by shrinking the informal network.

The GOI should press for presidential approval to implement the Foreign Contribution (Regulation) Act 1976, which would extend foreign contribution reporting requirements to any non-profit organization that has a political, cultural, economic, educational or social focus and automate notification of suspicious transactions to the FIU. The GOI should also extend the Prevention of Money Laundering Act to include gem and precious-metals dealers, real estate agents, lawyers, notaries, other independent legal professionals, accountants, and commodity futures brokers and to clearly add a safe harbor provision for those filing STRs in good faith.

Indonesia

Although neither a regional financial center nor an offshore financial haven, Indonesia is vulnerable to money laundering and terrorist financing due to gaps in financial system regulation, extensive use of cash in the economy, a lack of effective law enforcement, and the wide-ranging tactics of major indigenous terrorist groups, such as Jemaah Islamiyah, and their financiers from abroad. Most money laundering in the country is connected to non-drug criminal activity such as corruption, illegal logging, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, gambling and prostitution. Indonesia has a long history of smuggling, a practice facilitated by thousands of miles of unpatrolled coastline, weak law enforcement, and poor customs infrastructure. The proceeds of illicit activities are easily moved offshore and repatriated as needed for commercial and personal needs. Although Indonesia's corruption indicators are improving, corruption remains a major issue for all aspects of Indonesian society and a challenge for anti-money laundering/counter-terrorist financing (AML/CFT) implementation.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, finance companies, insurance companies and insurance brokerage companies, pension fund financial institutions, securities companies, investment managers, money remitters and foreign currency traders

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Money Laundering and Financial Crimes

Covered entities: Banks, financing companies, insurance companies and insurance brokerage companies; pension fund financial institutions, securities companies, and investment managers; custodians, trustees, postal services as providers of fund transfer services, and foreign currency changers (money traders); providers of instruments of payment using cards, e-money or e-wallet; cooperatives doing business as savings and loans; pawnshops, commodity futures traders, and money remitters. Property companies, property agents, car dealers, dealers of precious stones and jewelry/precious metals, art and antique dealers, and auction houses became subject to STR reporting in 2010.

Number of STRs received and time frame: 17,348 in 2010

Number of CTRs received and time frame: 1,461,883 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 36 - January through November 2010

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdiction: YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.apgml.org/documents/docs/17/Indonesia%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On October 22, President Yudhoyono signed Law No. 8 of 2010 on the Prevention and Eradication of the Crime of Money Laundering. This law expands the list of agencies permitted to conduct money laundering investigations; increases the ability of the independent Financial Intelligence Unit (PPATK) to examine suspicious financial transactions; expands institutions authorized to obtain results of PPATK analysis or examination of transactions; creates a streamlined mechanism to seize and freeze criminal assets; expands the entities which must file reports with PPATK and increases some criminal penalties for money laundering offenses. The law designates non-financial businesses, in addition to Indonesian banks and providers of financial services, which are required to report suspicious transactions to PPATK.

The Central Bank issued new regulations, effective December 1, 2010, applying to rural banks and rural Shariah banks, which contain more extensive requirements for customer due diligence, enhanced due diligence for high-risk customers and politically exposed persons, and checks against the Central Bank's Terrorist List, as part of Indonesia's AML/CFT program.

Indonesia continues to lack an effective mechanism to implement UNSCR 1267 and 1373, though it recently passed AML legislation that will provide for the freezing of terrorist assets linked to the UN List of designated terrorists and terrorist organizations. The government also appointed a drafting team to prepare draft terrorist financing legislation that would expand criminal liability, create a better mechanism to freeze and seize terrorist assets and subject non-governmental organizations (NGOs) to PPATK regulation. This draft legislation is expected to be submitted to the legislature in 2011.

In 2010, Indonesian prosecutors brought their first terrorism case based solely on terrorist financing grounds. The Saudi national defendant charged with financing the July 17, 2009 twin Jakarta hotel

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bombings was acquitted of the terrorist finance charge on June 28, 2010, but found guilty of immigration violations and sentenced to 18 months' imprisonment. In addition, as of mid-December 2010, there are three indictments under Article 11 of the 2003 Anti-Terrorism law, which proscribes intentionally providing or collecting funds to be used partly or wholly for acts of terrorism.

On July 7, 2010, the Government of Indonesia completed a domestic review of its non-profit sector and the Coordinating Ministry of Politics, Law and Security Affairs is expected to submit to the President recommendations regarding NGO section supervision.

Indonesia has mutual legal assistance treaties with several countries but not the U.S. It shares law enforcement information with the U.S. through memoranda of understanding.

Iran

Iran is not a regional financial center. Its economy is marked by a bloated and inefficient state sector and over-reliance on the petroleum industry. A combination of price controls and subsidies continue to weigh down the economy, although the Iranian government began a broad subsidy reform in 2010. Widespread corruption has also undermined the potential for private sector-led growth. The United States lists Iran as a state-sponsor of terrorism and the Financial Action Task Force (FATF) has repeatedly warned of Iran's failure to address the risks of terrorist financing, urging jurisdictions around the world to impose effective countermeasures to protect their financial sectors from the dangers of illicit finance emanating from Iran. Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, currency exchange controls, capital flight, and a large Iranian expatriate community.

Iran has established an international banking network, with many large state-owned banks that have foreign branches and subsidiaries in Europe, the Middle East, Asia, and the Western Hemisphere. In 1994, Iran authorized the creation of private credit institutions; licenses for these banks were first granted in 2001. In a number of cases, Iran has used its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. The United States has designated a total of 20 Iranian-linked banks and subsidiaries under its counter-proliferation and terrorism authorities.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: Unknown

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions:
Not available

KNOW-YOUR-CUSTOMER RULES:

Covered entities: The Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charity organizations and

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institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

Enhanced due diligence procedures for PEPs: *Foreign:* Unknown *Domestic:* Unknown

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: The Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charity organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: None

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: Unknown

Iran is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 1984, the Department of State designated Iran as a state sponsor of terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. Hamas, Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran in part to help coordinate Iranian financing and training. In November 2008, Treasury revoked the license authorizing “U-turn” transfers involving Iran, thus terminating Iran’s ability to access the U.S. financial system indirectly via non-Iranian foreign banks.

Since 2006, the U.S. has taken a number of targeted financial actions against key Iranian financial institutions, entities, and individuals under non-proliferation, counter-terrorism, human rights, and Iraq-related authorities, i.e., Executive Order 13382, Executive Order 13224, Executive Order 13553, and Executive Order 13438, respectively. To date, the Departments of the Treasury and State have designated over 240 Iranian entities and individuals for proliferation-related activity under Executive Order 13382.

The following are some examples of notable designations under Executive Orders: Twenty Iranian-linked banks (including Bank Sepah, Bank Melli, Bank Mellat, and Export Development Bank of Iran, plus Post Bank, Ansar Bank, Mehr Bank, and Europaisch-Iranische Handelsbank in 2010), located in Iran and overseas, have been designated in connection with Iran’s proliferation activities. One state-owned Iranian bank (Bank Saderat and its foreign operations) was designated for funneling money to terrorist organizations. The Qods Force, a branch of the Iranian Revolutionary Guard Corps (IRGC), was designated for providing material support to the Taliban, Lebanese Hizballah, and Palestinian Islamic Jihad. The Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah,

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Hamas, and the Palestinian Islamic Jihad (PIJ), has been designated along with Lebanon- and U.S.-based affiliates. Another Iranian parastatal, Bonyad Taavon Sepah, was designated in 2010 for its ties to the IRGC. The United States also designated the Islamic Republic of Iran Shipping Lines (IRISL) as a proliferator in 2008 and Iran's Moallem Insurance Company in 2010 for providing marine insurance to vessels owned by IRISL.

Since July 2006, the United Nations Security Council (UNSC) has passed six related resolutions (UNSCRs), four of which imposed financial sanctions on Iran. The most recent of these, UNSCR 1929, was adopted by the UNSC in June 2010.

In October 2007, the Financial Action Task Force (FATF) issued its first public statement expressing concern that Iran's lack of a comprehensive framework to counter money laundering and terrorist financing represents a significant vulnerability to the international financial system. In February 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. The FATF reiterated its call for countermeasures most recently in October 2010. The FATF urges Iran to immediately and meaningfully address its anti-money laundering/counter the financing of terrorism (AML/CFT) deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

Since February 2007, the European Union (EU) has also adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian risks. For example, in 2010, the EU adopted significant new measures against Iran, including new sanctions on several Iranian banks, the IRGC, and IRISL; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers to and from an Iranian person, entity, or body above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade.

Numerous countries around the world have also restricted their financial and business dealings with Iran in response to both the UNSC measures on Iran as well as the FATF statements on Iran's lack of adequate AML/CFT controls. A growing number of governments have moved to designate Iranian banks, and many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks. South Korea, Japan, Australia, Canada, Norway, India and others undertook extensive additional listings of Iranian entities and individuals and implemented new systemic measures in 2010.

Iran is ranked 146 out of 178 countries listed in Transparency International's 2010 Corruption Perception Index. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

In Iran and elsewhere in the region, proceeds from narcotics sales are sometimes exchanged for trade goods via value transfer. Illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market; those goods are often exported and sold in Dubai. Iran's merchant community makes active use of hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based money laundering is likely a prevalent form of money laundering. Many hawaladars and traditional bazaaris are linked directly to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there.

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Iran's real estate market is also often used to launder money. Frequently, real estate settlements and payments are made overseas. In addition, there are reports that billions of dollars in Iranian capital has been invested in the United Arab Emirates, particularly in Dubai real estate.

In 2010, the Government of the Islamic Republic of Iran teamed with United Nations Office on Drugs and Crime to establish a financial intelligence unit (FIU) that will analyze suspicious financial transactions, particularly those dealing with illicit narcotics proceeds. However, no independent assessment has been conducted to assess if the FIU meets international standards.

Iraq

Iraq's economy is primarily cash-based, and there is little data available on the extent of money laundering in the country. Smuggling is endemic, involving consumer goods, cigarettes, and petroleum products. There is a large market in Iraq for stolen automobiles from Europe and the United States. Bulk cash smuggling, counterfeit currency, trafficking in persons, and intellectual property rights violations are also major problems. Ransoms from kidnappings and extortion are often used to finance terrorist networks. There are credible reports of counterfeiting. Trade-based money laundering, customs fraud, and value transfer are found in the underground economy. Hawala networks, both licensed and unlicensed, are widely used for legitimate and illicit purposes. Regulation and supervision of the formal and informal financial sectors is still quite limited and enforcement is subject to political constraints, resulting in weak private sector controls. Corruption is a major challenge and is exacerbated by weak financial controls in the banking sector and weak links to the international law enforcement community. Transparency International's 2010 International Corruption Perception index ranked Iraq as 175 out of 178 countries, demonstrating a slight decline from the previous year.

Iraq has four free trade zones: the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone (FTZ) Authority Law, goods imported or exported from the FTZ are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZ are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Value transfer via trade goods is a significant problem in Iraq and the surrounding region. Iraq is investigating the application of a new customs tariff regime.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; investment funds managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers, securities dealers; and, dealers in precious metals and stones

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; investment funds managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers, securities dealers; and, dealers in precious metals and stones

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Iraq is a member of MENAFATF, a Financial Action Task Force (FATF)-style regional body. Iraq has not yet undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

CPA Law 93, AML Act of 2004, the only anti-money laundering statute in Iraq, takes an “all serious crimes” approach although the statute itself references “proceeds of some form of unlawful activity....” Although the statute seems to broaden itself even beyond serious crime, the criminalization under CPA Law 93 is that of a misdemeanor. Thus, Iraq will not prosecute cases under this law because the law does not effectively criminalize money laundering. Iraq should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

Iraq’s legal framework needs to be strengthened, either by amendment or redrafting of new AML/CFT legislation. Until the parliamentarians change the law and adequately criminalize money laundering, there will be a lack of political will in enforcing it. In addition, Iraqi ministries need to support a viable AML/CFT regime with cooperation across ministries. The lack of implementation of legislation and weak enforcement by the Money Laundering Reporting Office (MLRO) housed in the Central Bank of Iraq undermine its ability to be a stalwart counterforce to terrorist financing and money-laundering. The MLRO does not appear to take action to gather financial intelligence on suspected criminal activity to shore up law enforcement efforts or assist in obtaining relevant information to support ongoing investigations from foreign jurisdictions. The Government of Iraq should ensure the MLRO has the

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capacity, resources and authorities to serve as the central point for collection, analysis and dissemination of financial intelligence to law enforcement and to provide international assistance.

Investigators, prosecutors and judges all need support from their principals to move farther with pursuing AML/CFT cases. Prosecutors and investigators are frustrated because their cases are not pursued by judges; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Senior level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully prosecuted in Iraq.

In practice, despite customer due diligence requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of the rules varies widely across Iraq's 39 state-owned and private banks. Also, rather than file STRs in accordance with the law, most banks either do internal investigations or contact the FIU, which does an account review to resolve any questionable transactions. In practice, very few STRs are filed. US dollars are widely accepted and are used for many payments made by the US military, and assistance agencies and their contractors.

Banks do receive the UNSCR 1267 Committee list of designated terrorists and terrorist organizations, although the current process for distribution is very inefficient and inconsistent.

Ireland

Ireland is an increasingly significant European and international financial services hub, with a number of multinational banks having set up offices in Dublin.

The primary sources of funds laundered in Ireland are prostitution, cigarette smuggling, drug trafficking, fuel laundering, domestic tax violations and welfare fraud. Customs authorities have also intercepted cash from drug dealing which was being smuggled out of Ireland. The largest such interception was in 2010 when a suitcase belonging to an Irish drug trafficker containing €676,000 (approximately \$878,800) in used bank notes was seized at Dublin International Airport.

Irish authorities estimate that up to 80 percent of the reports of suspicious transactions filed with them involve funds derived from domestic tax violations and social welfare fraud. While money laundering occurs via credit institutions such as banks, money has also been laundered through schemes involving remittance companies, solicitors, accountants, and second-hand car dealerships. According to law enforcement, money is most commonly laundered through the purchase of high-value goods for cash; the transfer of funds from overseas through Irish credit institutions; the filtering of funds via complex company structures; and the purchase in Ireland of Irish and foreign real property.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, building societies, the post office, stock brokers, credit unions, currency exchanges, life insurance companies, and insurance brokers

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, building societies, the post office, stock brokers, credit unions, currency exchanges, life insurance companies, and insurance brokers

Number of STRs received and time frame: 14,500 in 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11 in 2009

Convictions: Two in 2009

Assets forfeited: criminally: €1.35 million (approximately \$1.9 million) in 2009 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With the United States: YES

With other governments/jurisdictions: Exchange intelligence only

Ireland is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/63/29/36336845.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Criminal Justice (Money Laundering and Terrorist Financing) Bill 2010 consolidates Ireland's existing anti-money laundering and counter-terrorist financing laws, which previously were contained mainly in the Criminal Justice Act 1994. It also increases the obligations on a wide range of individuals and organizations to disclose information related to suspected money-laundering and terrorist financing.

On June 17, 2010, Ireland became a party to the UN Convention against Transnational Organized Crime. The Government of Ireland should establish mechanisms for sharing information with other jurisdictions and providing assistance in transnational criminal investigations. Ireland also should become a party to the UN Convention against Corruption.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the United Kingdom (UK) remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy. The government offers incentives to high-technology companies and financial institutions to locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Identity theft and Internet abuse are growing segments of financial crime activity.

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CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler’s checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio and asset managers; estate agents; auditors, accountants, lawyers and notaries; insurance companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler’s checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio and asset managers; estate agents; auditors, accountants, lawyers and notaries; insurance brokers and companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

Number of STRs received and time frame: 1,435

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2010

Convictions: 13 in 2010

Assets forfeited: criminally: \$510,381 *civilly:* \$94,903

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Compliance with international standards was evaluated in a report prepared by the International Monetary Fund’s Financial Sector Assessment Program. The report can be found here:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

IOM legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about

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that person's financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM. In 2003, the U.S. and the UK agreed to extend to the IOM the U.S.-UK Treaty on Mutual Legal Assistance in Criminal Matters.

The Terrorism (Finance) Act 2009 allows the IOM authorities to compile their own list of suspects subject to sanctions when appropriate.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any Convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM on December 2, 1993; its ratification of the UN Convention against Corruption was extended to include the IOM on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the IOM.

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and to a lesser extent with the Far East. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, and European Union often utilize a maze of offshore shell companies and bearer shares to obscure beneficial owners. The Minister of Public Security recently announced that domestic revenue from the drug trade is in the billions of dollars. Seizures by the police have increased dramatically over 2009, with increased manpower and cooperation at key border points. Human trafficking is considered the crime-for-profit with the greatest human toll in Israel, and public corruption the crime with the greatest social toll.

Black market penetration in Israel remains low and is comparable in scale to that of Western, industrialized nations. With the exception of a few isolated incidents involving the sales of drugs in the United States by Israeli organized crime, Israel's illicit drug trade is regionally-focused, with Israel as more of a transit country than a stand-alone significant market. Concern from the authorities is growing relative to illegal pharmaceuticals sales, some retail businesses which are suspected money-laundering enterprises, and corruption accusations against some public officials which may or may not be politically-motivated. Bilateral cooperation between United States and Israeli law-enforcement authorities is very high, including joint repatriations, training exercises and sharing of information where relevant.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

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(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses and the Postal Bank

Number of STRs received and time frame: 27,332 (January – November 2010)

Number of CTRs received and time frame: 960,316 (January – November 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 19 (January – August 2009)

Convictions: 13 (January – August 2009)

Assets forfeited: criminally: civilly: Combined total assets forfeited (criminally and civilly): 1,927,000 NIS (approximately \$550,571) January – August 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Israel has observer status with MONEYVAL (the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism). Its most recent mutual evaluation can be found here: www.coe.int/moneyval.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A scathing report by the State Comptroller to the Knesset in May 2009 cited Israel's failure to effectively organize and fight organized crime. While the police did get credit for pursuing and arresting many leading mafia figures despite lack of resources, the report pointed out that the State would have to do a better job of targeting and weakening the financial foundation of organized crime; there was considerable lack of cooperation, coordination of activity, and sharing of information among relevant agencies; and ineffective leveraging of current legislation, including anti-money laundering laws. With an established director of the Israeli Money Laundering Authority in September 2010, the hope is that a key source of internal lack of coordination which has plagued some sensitive operations will be reduced.

In July 2009, the Ministry of Finance announced that a special unit would be established alongside the Tax Authority to coordinate the economic side of the fight against organized crime, including better tracking of money laundering. As of November 2010, this unit still has not been established. The Israeli National Police established the Lahav 433 special unit to target organized crime, which had many notable successes in arresting senior members of crime families. While significant resources and attention exist within the GOI to fight terrorist-related money laundering, the lack of resource allocation and follow-through on non-terror related financial crimes still lags significantly *versus* the scope of the problem. Organized crime has existed in Israel for many years, although it is only within the last couple of years that there has been formal acknowledgement by the authorities of the scope of the problem, or existence

of crime families. The State of Israel convicted a businessman and former mayoral candidate in Jerusalem for laundering over 650 million shekels (approximately \$183.8 million).

Israel's "right of return" laws for citizenship have meant that crime figures can and have continued to operate in their home countries while having easy access into and out of the country. Israeli citizenship for those "making aliyah" does not require strong ties to Israel such as proof of continuous residency. Therefore it is not uncommon for some crime figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel without necessarily having established ties here.

U.S. law enforcement has a robust relationship with the Israel Tax Authority's (ITA's) Anti Drug and Money Laundering Unit. A customs mutual assistance agreement between the U.S. and Israel allows for the exchange of information between Customs services in support of joint financial investigations, and the U.S. and ITA routinely coordinate to target illicit finance and bulk cash smuggling between the two countries. In addition, U.S. and Israeli law enforcement officials cooperate on extradition requests for individuals accused of crimes such as money laundering. For example, Itzhak Abergil, a U.S.-designated Consolidated Priority Organization Target (CPOT), and several other Israeli nationals recently lost their appeal fighting extradition to the United States, where they now face a host of charges including money laundering, and drug trafficking.

Italy

Italy is fully integrated into the European Union (EU) single market for financial services. Money laundering is a concern because of the prevalence of homegrown organized crime groups as well as criminal organizations from abroad, especially from Albania, Bulgaria, China, Israel, Romania and Russia. Italy is both a consumer country and a major transit point for heroin coming from South Asia through the Balkans en route to Western/Central Europe and, to a lesser extent, the United States. The heavy involvement of organized crime groups in narcotics trafficking complicates narcotics-related anti-money laundering (AML) activities because of the sophistication of the laundering methods used by these groups. Italian and ethnic Albanian criminal organizations work together to funnel drugs to Italy and, in many cases, on to third countries. Additional important trafficking groups include Balkan organized crime entities, as well as Nigerian, Colombian, and other South American trafficking groups. In addition to the narcotics trade, laundered money originates from myriad criminal activities, such as alien smuggling, contraband cigarette smuggling, counterfeit goods, extortion, human trafficking, and usury. Financial crimes not directly linked to money laundering, such as credit card fraud, Internet fraud, and phishing have increased over the past year. Phishing more than tripled from 2008 to 2009 (from 791 to 2,687 instances) for an overall amount increase from 3 to 8 million euros (approximately \$3.9 to \$10.4 million). Italy's financial intelligence unit (FIU) also reported a reduction among suspicious cash transactions, but an increase in wire transactions and money transfers.

Money laundering occurs to some extent in both the regular banking sector and the nonbank financial system, including casinos, money transfer houses, and the gold market. There is a substantial black market for smuggled goods in the country, but it is not believed to be funded significantly by narcotics proceeds. Italy's underground economy is an estimated 15-17 percent of Italian GDP, totaling about 233 to 264 billion euros (approximately \$304 billion to \$344 billion), though a substantial fraction of this total is related to tax evasion of otherwise legitimate commerce.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, Italian postal services, electronic money institutions, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, auditors, and casinos

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, Italian postal services, electronic money institutions, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, auditors, and casinos

Number of STRs received and time frame: 37,114 in 2010

Number of CTRs received and time frame: 37,231 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 23

Convictions: 16

Assets forfeited: *criminally:* \$317,063,640 confiscated in 2010 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Italy is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: [http://www.fatf-](http://www.fatf-gafi.org/info/country/0,3380,en_32250379_32236963_1_70522_43383847_1_1,00.html)

[gafi.org/info/country/0,3380,en_32250379_32236963_1_70522_43383847_1_1,00.html](http://www.fatf-gafi.org/info/country/0,3380,en_32250379_32236963_1_70522_43383847_1_1,00.html)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Given the relatively low number of STRs being filed by non-bank financial institutions, Italy should improve its training efforts and supervision in this sector and should clarify attorney/client privilege. Italy should take steps to allow for civil forfeiture of criminal proceeds. Italian law enforcement agencies should take additional steps to understand and identify underground finance and value transfer methodologies employed by Italy’s burgeoning immigrant communities. Italy also should ensure its new regulations on PEPs are enforced. Finally, Italy should continue its active participation in multilateral

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fora dedicated to the global fight against money laundering and terrorist financing and its assistance to jurisdictions with nascent or developing AML/CFT regimes.

Jamaica

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics and to a lesser extent psychotropic substances. Criminal proceeds laundered in Jamaica are derived from both domestic and foreign criminal activities, but primarily from foreign criminal activities. Money laundering is largely controlled by organized criminal groups whose primary activity is drug trafficking. Public corruption also contributes to money laundering and most often occurs when a public contract is awarded that gives an organized criminal group the opportunity to benefit. Jamaica has experienced a slight increase in financial crimes, primarily emanating from the Lotto Scam and electronic frauds/cybercrimes.

There is a significant black market for smuggled goods in Jamaica, but there is no data or intelligence to suggest that smuggling is funded by proceeds from narcotics or other illicit means. However, evidence suggests that funds generated from contraband smuggling are laundered through the financial system.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit unions, merchant banks, wire-transfer companies, exchange bureaus, remittance companies, mortgage companies, insurance companies, securities brokers and other intermediaries, securities dealers, and investment advisors

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit unions, merchant banks, exchange bureaus, remittance companies, mortgage companies, insurance companies, securities brokers and other intermediaries, securities dealers, and investment advisors

Number of STRs received and time frame: 249,130 in 2010

Number of CTRs received and time frame: 113,435 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010

Convictions: Three in 2010

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Jamaica is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Financial Investigations Division Act became law on April 17, 2010. This Act establishes the Financial Investigations Division (FID) by statute and empowers it to undertake financial crime investigations, including money laundering, with a greater level of effectiveness and authority. Before the Act, the division was established by action of the Minister of Finance with limited enforcement authority. However, the FID's capacity to enforce AML/CFT laws is restricted by resource issues and the limited amount of time within the law to process consent to processing of a transaction subject to a suspicious transaction report after it is reported by a financial organization. Additionally, designated non-financial businesses and professions are not covered under Jamaica's AML law. On June 7, 2010, the Cabinet accepted and approved recommendations on a proposed supervisory regime for these entities and the categories of persons to be designated as gatekeepers.

Effectiveness is also hindered by lengthy delays in the court system in the processing of judicial orders. There is a need to amend the Jamaica's Evidence Act to allow witnesses overseas to give evidence by way of video conferencing. This would assist in the investigation and prosecutions of financial crimes, particularly cases where the victims are overseas. Consideration should also be given to the establishment of a special court to deal with financial crimes in order to fast track those cases.

A total of sixty-four money laundering cases are being investigated, and the government has seized \$2.3 million in cash derived from the international drug trade. These cases are pending before the courts, which will decide whether the seized funds will be forfeited.

Through the Caribbean Regional Drug Law Enforcement Training Centre (REDTRAC) located in Jamaica, the government and its bilateral partners provide specialized training for regional law enforcement officers in areas such as narcotics investigations, intelligence gathering and analysis, kidnapping and extortion, money laundering, financial fraud and assets tracing. The institution serves law enforcement officials from Jamaica and across the Caribbean region.

Japan

Although the Japanese government continues to strengthen legal institutions to permit more effective enforcement of anti-money laundering/counter-terrorist financing (AML/CFT) laws, Japan still faces substantial risk of money laundering by organized crime (including Boryokudan, Japan's organized crime groups, and Iranian drug trafficking organizations), extremist religious groups, and other domestic and international criminal elements. The major sources of money laundering proceeds include drug trafficking, fraud, loan-sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. In the past year, there has been an increase in financial crimes by

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citizens of West African countries, such as Nigeria and Ghana, who are resident in Japan. There is not a significant black market for smuggled goods, and the existence of alternative remittance systems is believed to be very limited in Japan.

Japan is not an offshore financial center. It has one free-trade zone, the Okinawa Special Free Trade Zone, established in 1999 in Naha, to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions, real estate agents and professionals, precious metals and stones dealers, antique dealers, postal service providers, lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants, certified public tax accountants, trust companies

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions, real estate agents and professionals, precious metals and stones dealers

Number of STRs received and time frame: 268,582 for January-November 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: ***criminally:*** approximately ¥2.7 billion (approximately \$33 million)
January 1 - December 31, 2009 ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Japan's compliance with international standards is notably deficient on recommendations specific to financial institutions. While Japan has legal requirements for customer due diligence (CDD) programs in its institutions, the CDD provisions are severely lacking, and there is no requirement for financial institutions to gather information on the purpose and intended nature of the business relationship or to conduct ongoing due diligence on these relationships. Japan should strengthen its CDD provisions to include specific requirements for due diligence by financial institutions and to require financial institutions to collect information about business accounts and transactions.

The Government of Japan (GOJ) has not implemented a risk-based approach to AML/CFT, and there is no mandate for enhanced due diligence for higher-risk customers, business relationships, and transactions. The current regulations do not authorize simplified due diligence, though there are exemptions to the identification obligation on the grounds that the customer or transaction poses no or little risk of money laundering or terrorist financing. Japan should implement a risk-based approach to its AML/CFT regime.

The GOJ's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low, despite the GOJ's many legal tools and programs to combat these crimes. The National Police Agency (NPA) provides very limited cooperation with other GOJ agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence-related matters. The NPA's minimal level of cooperation has caused the law enforcement offices of nearly all other industrialized countries to either leave Japan or significantly reduce their presence. The GOJ should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in the GOJ and foreign missions.

The GOJ's system does not allow the freezing of terrorist assets without delay, and in practice the Ministry of Finance has never actually frozen or confiscated any terrorist assets. Japan's system does not cover assets raised by a non-terrorist for use by a terrorist or terrorist organization, and reaches only funds, not other kinds of assets. The GOJ should enact legislation to allow terrorist assets to be frozen without delay, and to expand the scope of assets to include non-financial holdings.

Japan should provide more training and investigatory resources for AML/CFT law enforcement authorities, establish an effective CDD regime, and consider implementing a system to report large currency transactions. As Japan is a major trading power, the GOJ should take steps to identify and combat trade-based money laundering. Japan should also become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption, and should fully implement the freezing obligations for terrorist funds, according to the UN Convention for the Suppression of the Financing of Terrorism.

Jersey

The Island of Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a British crown dependency but has its own parliament, government, and laws. The United Kingdom (UK) remains constitutionally responsible for its defense and international representation but has entrusted Jersey to negotiate and sign tax information exchange agreements directly with other jurisdictions and regulate its own financial service sector. The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of

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customer relationships are established with nonresidents, most of the illicit money in Jersey is derived from foreign criminal activity. In particular, the Island's financial services industry continues to be vulnerable to the laundering of the proceeds of foreign political corruption in industries such as oil, gas and transportation.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, travelers' checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, and portfolio managers; insurance companies and brokers; fund products and fund operators; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers and legal professionals

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, travelers' checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, and portfolio managers; insurance companies and brokers; fund products and fund operators; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers and legal professionals

Number of STRs received and time frame: 1,854 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One prosecuted to judgment in 2010

Convictions: One in 2010

Assets forfeited: criminally: £7,454,250 (approximately \$11,299,600) in 2010 ***civilly:*** Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

In lieu of a mutual evaluation, a report was prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although not yet used in practice, Jersey has an ability to designate persons and freeze their assets in conformity with UNSCR 1373. No formal procedure is in place to receive and assess requirements based on a foreign request, as required by UNSCR 1373. Additionally, the definition of "funds" subject to freezing does not expressly refer to assets "jointly" or "indirectly" owned or controlled by designated or listed persons.

The Jersey Financial Services Commission (JFSC) website contains a link to the United Kingdom Consolidated List of asset freeze targets, as designated by the United Nations, European Union and United Kingdom. It does not use other means to distribute UN lists of designated terrorists or terrorist entities.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead it is able to provide mutual legal assistance to any jurisdiction, including the US, in accordance with the Criminal Justice (International Co-operation) (Jersey) Law 2001 and the Civil Asset Recovery (International Co-operation) (Jersey) Law 2007. Jersey has granted U.S. requests for assistance in criminal matters. Jersey signed a Tax Information Exchange Agreement with the United States in 2002. In 2009, the JFSC signed a statement of cooperation with the Board of Governors of the Federal Reserve System, Office of the Comptroller of Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision. This statement is in addition to existing memoranda of understanding with the Securities and Exchange Commission and Commodity Futures Trading Commission.

Jersey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the ratification of any Convention to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in July 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in November 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to Jersey.

Jersey authorities have a continuing concern regarding the increasing incidence of domestic drug related crimes. The customs and law enforcement authorities devote considerable resources to countering drug-related crime. Jersey should continue to maintain and enhance its level of compliance with international standards to assist those efforts. The Financial Services Commission should ensure its AML Unit has enough resources to continue to function effectively, and to provide outreach and guidance to the sectors it regulates, especially the newest entities required to file reports. The Commission also should distribute the UN lists of designated terrorists and terrorist organizations to the obligated entities and not expect the entities to stay current through their own Internet research.

Jordan

Although Jordan is not a regional or offshore financial center, it has a well-developed financial sector with significant banking relationships in the Middle East. Jordan's long and remote desert borders and nexus to Iraq, Syria, Saudi Arabia and the West Bank make it susceptible to the smuggling of bulk cash,

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fuel, narcotics, cigarettes, counterfeit goods and contraband. Jordan boasts a thriving “import-export” community of brokers, traders, and entrepreneurs who regionally are involved with value transfer via trade and customs fraud. There are anecdotal indications of the use of Jordan for money laundering of illicit funds derived from narcotics and other criminal activity in the U.S., and possibly Europe, via bulk cash smuggling for criminal elements involving Jordanians in those areas. However, it is thought the major sources of illicit funds in Jordan are most likely to be related to commercial fraud, customs fraud, tax fraud and intellectual property rights (IPR) violations. In 2010, Jordan made significant strides to bring its anti-money laundering/counter-terrorist financing (AML/CFT) regime into fuller compliance with international standards and to raise the profile of AML/CFT stakeholders.

There are six public free trade zones (FTZ) in Jordan: the Zarqa Free Zone, the Sahab Free Zone, the Queen Alia International Airport Free Zone, the Al-Karak Free Zone, the Al-Karama Free Zone, and the Aqaba Special Economic Zone (ASEZ). With the exception of Aqaba, these FTZs list their activities merely as trade. There are 36 private free trade zones, a number of which are related to the aviation industry, with five more being established. Some of these FTZs list their activities as industrial, agricultural, pharmaceutical, training of human capital, and multi-purpose. With the exception of ASEZ, all free trade zones are regulated by the Jordan Free Zones Corporation in the Ministry of Finance. The Aqaba Special Economic Zone Authority (ASEZA), a ministerial level authority, controls all of the port city of Aqaba. ASEZA has its own customs authority, which operates separately from Jordan Customs and processes all merchandise and commodities destined for businesses in the zone and all passengers entering the zone. Jordan Customs processes all shipments of goods in transit to areas outside the zone.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES

civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, exchange companies and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers and intermediaries; entities providing credit, leasing services, financial management companies, postal services, real estate and development, and traders of precious metals and stones

Enhanced due diligence procedures for PEPs: Foreign: YES

Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, exchange and money transfer companies, securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers and

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intermediaries; entities providing credit, leasing services, financial management companies, postal services, real estate and development, and traders of precious metals and stones

Number of STRs received and time frame: 510 -- July 2007 - December 14, 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2010

Convictions: One in 2010

Assets forfeited: criminally: \$2.05 million -- July 2007 - December 14, 2010 **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Jordan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.menafatf.org/images/UploadFiles/MER_Hashemite_Kingdom_of_Jordan.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In February 2010, the Financial Action Task Force (FATF) identified Jordan as a jurisdiction with significant AML/CFT vulnerabilities. The Government of Jordan has been actively engaged to alleviate the noted deficiencies. By late 2010, Jordan had addressed successfully all noted areas of non-compliance with key international standards.

During 2010, the Government of Jordan (GOJ) remedied several deficiencies in its AML/CFT legal framework. Those changes include: (a) extension of the range of predicate offenses to include all offenses (both misdemeanors and felonies) which are crimes in Jordan, whether committed in Jordan or abroad; (b) clarification that a conviction of an underlying predicate offense is not a prerequisite for criminal indictment for money laundering; (c) extension of the scope of the terrorist financing offense to include provision to, or collection of funds by terrorist organizations or individual terrorists, including in situations where there is no proof that the funds were going to be directed to the commission of a terrorist act; (d) inclusion of an adequate definition of what constitutes “funds” under terrorist financing provisions; (e) inclusion of general measures to provide for the freezing, seizing and confiscation of funds related to money laundering and terrorist financing; (f) extension of the mandate of the FIU to receive STRs related to terrorist financing; and, (g) establishment of effective procedures for implementing terrorist financing-related obligations under UNSCRs 1267 and 1373.

In addition to changes in the legal framework, other operational developments in 2010 impacting the AML/CFT regime in Jordan include expansion of the FIU staff and preparations to move to an independent office space. In addition, the Prime Minister issued a directive confirming the primacy of the role of the FIU in the AML/CFT regime. Lastly, a cross-border customs declaration form was issued to implement existing declaration requirements related to currency transport in excess of 15,000 Jordanian dinars (approximately \$21,150).

The first two indictments for money laundering in Jordan occurred in 2010. In both cases, the predicates were committed outside of Jordan. One conviction has been achieved to date, involving two defendants and resulting in a sentence of three years’ hard labor, a fine of 10,000 Jordanian dinars (approximately \$14,100), and confiscation of the proceeds.

Kazakhstan

While Kazakhstan is not a regional financial center, it has the best developed financial system in the Central Asia region. The primary sources of laundered money are proceeds from tax evasion committed through the use of shell companies; corruption, particularly in the areas of state procurement, natural resource extraction, illegal production and distribution of oil and alcoholic products; and financial fraud. Authorities reported a 6.8 percent decrease in the number of financial crimes in the first eight months of 2010 compared to the same period in 2009, including a decrease in counterfeiting and banking crimes.

Authorities report that the under-invoicing of imports and exports in order to avoid taxes and customs duties remains a relatively common practice. Under-invoicing and attempts to conceal shipments in order to avoid required payments accounted for 68 percent of the 580 cases initiated by the Customs Committee during the first nine months of 2010.

According to the Committee for National Security, there is no evidence that proceeds from smuggling of drugs or other commodities are used to fund terrorist activity, though the Committee continues its efforts to detect connections between drug trafficking and terrorist organizations.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* NO *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and organizations that conduct banking transactions; stock exchanges; insurance (re-insurance) companies; insurance brokers; pension funds; professional participants of the securities market; central depositories; exchange offices and post operators that deal with fund transfers; lawyers; independent experts on legal issues; commodity stock exchanges; audit organizations and organizers of gambling businesses

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and organizations that conduct banking transactions; stock exchanges; insurance (re-insurance) companies; insurance brokers; pension funds; professional participants of the securities market; central depositories; exchange offices and post operators that deal with fund transfers; lawyers; independent experts on legal issues; commodity stock exchanges; audit organizations and organizers of gambling businesses

Number of STRs received and time frame: 5,701 from March 9 through September 30, 2010

Number of CTRs received and time frame: 146,550 from March 9 through September 30, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 90 from January to August 2010

Convictions: 93 from January to August 2010

Assets forfeited: criminally: \$8.16 million from January-August 2010 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Kazakhstan is a member of the Eurasian Group on Combating Money Laundering and Terrorist Financing Crimes (EAG), a Financial Action Task Force (FATF)-style regional body. The first draft mutual evaluation report will be discussed at the June 2011 EAG plenary meeting.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A new AML/CFT law took effect in March 2010. However, this law excludes from the list of covered entities pawn shops; micro-credit organizations; leasing organizations; entities dealing with jewelry and precious metals; financial management firms; dealers of arts, antiques, and other high-valued consumer goods; and travel agencies. These entities are not required to maintain customer information or report suspicious activity. Effective implementation and enforcement will depend on further resources and the development of institutional expertise.

The strict segregation of duties between law enforcement agencies hampers the government's ability to detect, investigate and prosecute money laundering crimes related to serious criminal offenses like drug trafficking and trafficking in persons. The Financial Police, as the only agency empowered to investigate money-laundering cases, deals only with economic and corruption crimes. The Ministry of Interior is authorized only to investigate predicate crimes (which generate the proceeds), but not to initiate money laundering cases. So far only the Committee for National Security has been able to prosecute money laundering cases related to trafficking in persons (one, in 2008) and narcotics trafficking (three in 2009, and one initiated in 2010). During the first eight months of 2010, the Financial Police seized \$20.41 million related to anti-money laundering operations.

Kenya

Kenya is a major money laundering country. Kenya's use as a transit point for international drug traffickers continues to increase. The laundering of funds related to Somali piracy, corruption, smuggling, the misuse of casinos and other assorted crimes is a substantial problem. Reportedly, Kenya's financial system may be laundering over \$100 million each year, including an undetermined amount of narcotics proceeds and Somali piracy-related funds. As a regional financial and trade center for Eastern, Central, and Southern Africa, Kenya's economy has large formal and informal sectors. Although banks, wire services, and other formal channels execute funds transfers, there are also thriving, unregulated informal networks of hawala and other alternative remittance systems using cash-based, unreported transfers that the Government of Kenya (GOK) cannot track. Expatriates, in particular the large Somali refugee population, primarily use hawala to send and receive remittances internationally.

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DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial and non-bank financial institutions engaging in one or more of the following: accepting deposits; lending; financial leasing; transferring funds or value; issuing and managing means of payment; financial guarantees and commitments; trading in money market instruments, foreign exchange, exchange, interest rate and index funds, transferable securities, and commodity futures; participation in securities issues; individual and collective portfolio or fund management; safekeeping and asset administration; underwriting and sales of life insurance and other investment related insurance; and/or money and currency changing; also, casinos; real estate agencies; accountants; and dealers in precious metals or stones

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial and non-bank financial institutions engaging in one or more of the following: accepting deposits; lending; financial leasing; transferring funds or value; issuing and managing means of payment; financial guarantees and commitments; trading in money market instruments, foreign exchange, exchange, interest rate and index funds, transferable securities, and commodity futures trading; participation in securities issues; individual and collective portfolio management; safekeeping and administering cash or liquid assets on behalf of other persons; investing, administering, or managing funds on behalf of other persons; underwriting and placement of life insurance and other investment related insurance; and/or money and currency changing; also, casinos; real estate agencies; accountants; and dealers in precious metals or stones

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: 0 *civilly:* 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. No mutual evaluation report is available at this time.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (PCAMLA), which came into force in June 2010, has a number of deficiencies. While the PCAMLA does take an “all crimes” approach to money laundering predicate offenses, the Act has never been used to prosecute any crimes. Kenya’s criminal justice system remains open to interference and corruption and combating money laundering has not been given priority. The PCAMLA contains sanctions that are proportionate and meet the international standard but have not yet been operationalized with implementing regulations. The PCAMLA does not mention or criminalize terrorism or terrorist financing. The legislation does not explicitly authorize the seizure of legitimate businesses used to launder money. A number of amendments to the law appear to have made the PCAMLA less powerful than earlier drafts. The Central Bank of Kenya (CBK) is relying on the future Financial Intelligence Centre (FIC), the financial intelligence unit, for implementation, as the police lack institutional capacity to handle complex financial crimes analysis and investigation. Although authorized under the PCAMLA, the FIC has not yet been established.

The GOK did not report any money laundering or terrorist financing arrests, prosecutions, or convictions from 2007 through 2010. Kenya lacks the institutional capacity, investigative skill, and equipment to conduct complex investigations independently. There is also insufficient political will to address these crimes. Kenya ranks 154 out of 178 countries on the 2010 Transparency International Corruption Perceptions Index.

There is a black market for smuggled goods in Kenya, which serves as the major transit country for Uganda, Tanzania, Rwanda, Burundi, northern Democratic Republic of Congo (DRC), and Southern Sudan. While goods marked for transit avoid Kenyan customs duties, authorities acknowledge these goods are often sold in Kenya. Many entities in Kenya are involved in exporting and importing goods, including nonprofit entities. Trade-based money laundering is a serious problem in Kenya. Trade goods are often used to provide counter-valuation in regional hawala networks.

Kenya has no straightforward legal mechanism to freeze or seize criminal or terrorist accounts. To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court warrant. Because of corruption and leaks, the confidentiality of this process is difficult to maintain. The Central Bank does not distribute UN lists to financial institutions. Instead, it refers all banks to the public lists posted on the Internet. Two times per year, each bank is required to confirm to the Central Bank that they have ensures none of their clients are on any of the lists.

Korea, Democratic Republic of

In recent years, Democratic People’s Republic of Korea (DPRK) citizens have been apprehended or implicated in international investigations for narcotics trafficking and other criminal behavior, such as producing and distributing counterfeit U.S. currency (including \$100 “supernotes”), and trading in counterfeit products such as cigarettes. There is also evidence that North Korean governmental entities and officials have been involved in laundering the proceeds of illicit activities, including those related to counterfeiting, through front companies. The illegal revenue garnered from these sources provides desperately needed foreign hard currency for the DPRK. The UN Security Council passed additional

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multilateral sanctions against the DPRK in June 2009 (UNSCR 1874) making it even more difficult for the DPRK to gain access to foreign hard currency.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Legal persons covered: criminally: Not available *civilly:* Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: Not available

UN lists of designated terrorists or terrorist entities distributed to financial institutions: Not available

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Not available

Enhanced due diligence procedures for PEPs: Foreign: Not available *Domestic:* Not available

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Not available

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

The DPRK is not a participant in any Financial Action Task Force-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On October 11, 2008, the United States Government formally removed North Korea from the U.S. list of state sponsors of terrorism.

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In response to concerns that North Korea had conducted nuclear testing, the UN Security Council adopted UNSCR 1718 on October 14, 2006, which aimed to prevent a range of nuclear, ballistic missile, and other weapons of mass destruction-related equipment and technology from entering or leaving the Democratic People's Republic of Korea. The Resolution imposes an asset freeze and travel ban on persons related to the nuclear weapons program. Similar concerns gave rise to the adoption of UNSCR 1874 on June 12, 2009, calling for member states to prevent the provision of financial services or any financial or other assets or resources that could contribute to North Korea's nuclear, ballistic missile, or other weapons of mass destruction-related programs or activities. UNSCR 1874 also demands that North Korea immediately comply with UNSCR 1718, which includes a ban on the transfer of luxury goods to North Korea.

In addition, FinCEN issued an initial advisory on June 18, 2009 (amended December 18, 2009) on North Korea Government Agencies' and Front Companies' Involvement in Illicit Financial Activities. In light of the financial measures in UNSCRs 1718 and 1874, and the use of deceptive financial practices by North Korea and North Korean entities, as well as individuals acting on their behalf to hide illicit conduct, FinCEN advised all U.S. financial institutions to take commensurate risk mitigation measures.

On August 30, 2010 the Department of Treasury announced additional sanctions against North Korea aimed at freezing the assets of individuals and entities engaging in or facilitating North Korean trafficking in and manufacturing of arms and related materiel; procurement of luxury goods; and illicit economic activities, such as money laundering, the counterfeiting of goods and currency, bulk cash smuggling, and narcotics trafficking. The August 30, 2010 action supplements sanctions that target North Korean proliferators of weapons of mass destruction and their supporters thereby isolating them from the US financial and commercial systems.

The DPRK should develop a viable anti-money laundering/counter-terrorist financing regime that comports with international standards and participate in a FSRB. The DPRK also should become a party to the UN Convention for the Suppression of the Financing of Terrorism, the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Korea, Republic of

The Republic of Korea (ROK) has strengthened its AML/CFT regime in recent years. While most money laundering in South Korea is associated with domestic criminal activity and official corruption, locally-based criminal groups associate with international crime syndicates involved in human trafficking, contraband smuggling, and related organized crime. Korean money launderers use illegal game rooms, customs and trade fraud, intellectual property theft, and counterfeit goods to conceal proceeds. They also exploit the zero value added tax (VAT) rates on gold bars. Launderers frequently use cash transactions or fraudulent bank accounts to conceal proceeds from illicit activities.

South Korea is not an offshore banking center. It has six free economic zones (FEZs), with Incheon International Airport wholly incorporated into one of the zones. While companies operating in FEZs enjoy certain tax privileges, they are subject to the same general laws on financial transactions as companies operating elsewhere. Korea mandates extensive entrance screening to determine companies' eligibility to participate in FEZ areas, and firms are subject to standard disclosure rules and criminal laws.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

Number of STRs received and time frame: 104,200 (January 1 to June 30, 2010)

Number of CTRs received and time frame: 5,705,000 (January 1 to June 30, 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: \$3.6 million in 2009 *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The ROK is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Korea%20MER%202009.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Republic of Korea (ROK) should expand its active participation in international AML/CFT efforts by becoming a party to the UN Convention against Transnational Organized Crime. Also, while the Prohibition of Financing for Offenses of Public Intimidation is intended to implement the UN International Convention for the Suppression of the Financing of Terrorism, it does not clearly criminalize provision or collection of funds or assets used by a terrorist organisation or terrorist for purposes other than for terrorist acts. The ROK should create language that clearly criminalizes terrorist

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financing as an autonomous offense. In October 2009 the ROK initiated a three-year action plan that puts emphasis on creating a system to effectively prevent terrorism and terrorist financing.

Korea's AML/CFT regime requires all obligated entities to report STRs to the Korea Financial Intelligence Unit (KFIU). The ROK strengthened the STR system in June 2010, lowering the mandatory STR filing threshold from 20 to 10 million won (approximately \$8,700). It also reduced the threshold for cash transaction reports (CTR) from 30 million won (approximately \$25,800) to 20 million won (approximately \$17,200) in January 2010. The KFIU plans to abolish the STR threshold in the long term, and instead require covered entities to report all suspicious transactions. The ROK should make elimination of the STR reporting threshold a short-term goal.

Officials charged with investigating money laundering and financial crimes are widening their scope to include crimes related to commodities trading and industrial smuggling, and continue to search for possible links between domestic illegal activities and international terrorist activity. ROK authorities are investigating the underground alternative remittance systems used to send illegal remittances abroad by South Korea's approximately 495,886 documented and 51,068 undocumented foreign workers. According to the Korea Customs Service, there were 601 underground remittance (hawala) cases worth 1.99 trillion won (approximately \$1.7 billion) in 2009, and 167 cases totaling 1.23 trillion won (approximately \$1.07 billion) in the first eleven months of 2010.

Kosovo

Kosovo is not considered a regional financial or offshore center. The country does, however, have an active black market for smuggled consumer goods and pirated products. Kosovo's borders are porous and facilitate drug trafficking. According to the Customs Service, significant amounts of cigarettes and fuel are smuggled into the country. There is no indication that these smuggled items are funded by narcotic or other illicit proceeds. Illegal proceeds from domestic and foreign criminal activity are generated from official corruption, tax evasion, customs fraud, organized crime, contraband and other types of financial crimes. Most of the proceeds from smuggling activity are believed to be laundered directly into the economy in areas such as construction and real estate, retail and commercial stores, banks, financial services, casinos and trading companies. Smaller amounts are thought to be laundered through the financial system.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: Not available

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, emoney, and payment cards; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; and high-value goods dealers

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, emoney, and payment cards; non-governmental organizations; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; and high-value goods dealers

Number of STRs received and time frame: 164 - 2010

Number of CTRs received and time frame: 420,000 - 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Kosovo is not a member of a Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Kosovo Police Economic Crimes and Corruption Directorate, the Organized Crime Directorate, and the Special Prosecutors Anti-Corruption Task Force (established in April 2010) are weak in all aspects of economic crimes investigations. The Kosovo Police (KP) needs to enhance its ability to investigate economic crimes by developing: the necessary investigative skills; interagency cooperation with other law enforcement and regulatory agencies; a cadre of KP instructors who will be able to train investigators in all aspects of economic crimes investigations; and, institutionalized communication and cooperation between economic crimes investigators and Kosovo's prosecutors. Prosecutors also require enhanced skills to prosecute economic crimes.

In October 2010 the new Law on the Prevention of Money Laundering and Terrorist Financing came into effect, replacing UNMIK Regulation 2004/2. Among other provisions, this law establishes a new FIU within the Ministry of Finance and Economy, customer due diligence and record keeping requirements, and cross-border monetary instrument transportation reporting requirements; sets administrative sanctions for non-compliance; identifies money laundering as an autonomous offense; prohibits tipping off; and provides safe harbor protection for reporting persons.

The Kosovo draft Law on Games of Chance remains at the Ministry of Economy and Finance awaiting passage into law and implementation of a regulatory framework. The recently established Tax Administration of Kosovo Criminal Tax Investigation Unit needs to improve its capacity to investigate criminal tax cases.

The Government of Kosovo (GOK) should continue its efforts to have the FIU become fully operational, compliant with international standards, and accepted by the international community. The GOK's newly created Agency for Asset Forfeiture will manage and dispose of seized and forfeited assets, at least a portion of which will be provided to law enforcement agencies to provide the resources necessary to combat money laundering, terrorist financing, and other financial crimes. The Agency for Asset Forfeiture will require substantial training to enhance its ability to effectively manage and dispose of seized assets. In addition, the GOK should enhance its pursuit of confiscation and forfeiture of the proceeds of smuggling, human trafficking, corruption, and other organized criminal activities, and should enact domestic laws permitting international sharing of confiscated assets.

Kuwait

Financial crimes such as money laundering and terrorist financing are a concern in Kuwait. The Government of Kuwait (GOK) holds financial crimes public awareness campaigns, including through annual money laundering training conferences. The Central Bank of Kuwait (CBK) reported total banking sector assets of \$142 billion as of December 2010. Kuwait has 21 banks: six conventional (commercial) banks, six Islamic banks, eight branches of foreign banks, and one government-owned bank.

The current AML law does not specifically cite terrorist financing as a crime, therefore, terrorist financing criminal cases are handled under 'crimes against the state' statutes.

On September 16, 2010, the Minister of Interior decided to transfer the responsibility for money laundering crimes from the CID at the Ministry of Interior to Kuwait State Security.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, other financial institutions, insurance agents, insurance brokers and companies; investment companies; exchange bureaus; jewelry establishments including gold, metal and other precious commodity traders; real estate establishments and agents; and auditing firms

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, other financial institutions, insurance agents, insurance brokers and companies; investment companies; exchange bureaus; jewelry establishments including gold, metal and other precious commodity traders; real estate establishments and agents; and auditing firms

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: ***criminally:*** Not available ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Kuwait is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Kuwait's on-site mutual evaluation took place in October 2010, and is expected to be adopted in mid-2011. Once available, the report will be found here:
<http://www.menafatf.org/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Kuwait has had difficulty implementing the current anti-money laundering law due in part to structural inconsistencies within the law itself. Law No. 35 does not mandate that the FIU act as the central or sole unit for the receipt, analysis, and dissemination of STRs. The FIU that is in place operates under the CBK and is not an independent, autonomous competent authority. Law No. 35 requires banks to file STRs with the Office of Public Prosecution (OPP), who, in accordance with an MOU with the Central Bank, will in turn refer the STRs to the CBK's FIU for analysis. The FIU conducts analysis and reports any findings to the OPP for the initiation of a criminal case. There is no clear criteria for a suspicious transaction thus STRs are interpreted widely. The FIU analysis is limited due to its inability to effectively analyze STRs and its inability to share information without prior approval from the OPP. The vague delineations of the roles and responsibilities of the FIU, CBK, and OPP continue to hinder the overall effectiveness of Kuwait's anti-money laundering regime.

Kuwait's FIU should be made the national authority for the receipt, analysis and dissemination of STRs and other reports, and given true operational independence. Kuwait customs, police and prosecutors should be made aware of money laundering methodologies and should initiate inquiries and investigations without waiting for the filing and dissemination of a STR.

The Ministry of Social Affairs and Labor (MoSAL) monitors and audits charitable giving in Kuwait. The Ministry of Foreign Affairs and MoSAL monitor and regulate funds transfers by authorized charities abroad. MoSAL uses a coupon tracking system as well as electronic bank transfers which creates a formal paper trail for all donations. Despite increased regulations, MoSAL reports the amount of donations continues to rise in Kuwait.

Kuwait's financial crimes enforcement and investigative capacity is weak. Provisions of Law No. 35 require travelers to disclose to customs authorities upon entry if they are carrying any national or foreign currency, gold bullion, or other precious materials. The law does not require individuals to file

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declaration forms when carrying cash or precious metals when exiting Kuwait. Currency smuggling into Kuwait is criminalized; however cash reporting requirements are not uniformly enforced at ports of entry (except at Kuwait International Airport and the Al-Abdali Border point). There were no court cases of currency smuggling in 2010. The last case on record was reportedly in 2008 which has yet to be prosecuted. Kuwait should take steps to implement and enforce a uniform cash declaration policy for both inbound and outbound travelers at all its ports.

In December 2009 the Kuwaiti Government passed a draft amended anti-money laundering law to parliament intended to bring Kuwait into compliance with international standards, including the restructuring of the FIU and inclusion of definitions of roles and responsibilities. In November 2010, the Kuwaiti parliament passed the law back to the government with a request to consider placing provisions for the criminalization of terrorist financing into a separate law.

Kuwait does not have legislation outlawing the funding of terrorism, and financial support to terrorist groups, both by charities and by individuals continues to be a major concern. Kuwait should criminalize terrorist financing and ratify and implement fully the United Nations International Convention for the Suppression of the Financing of Terrorism.

Kyrgyz Republic

The Kyrgyz Republic is not a regional financial center. A significant percentage of the country's GDP comes from remittances from abroad, posing a money laundering vulnerability. Corruption, organized crime and a large shadow economy also make the country vulnerable to money laundering and terrorist financing. Narcotics trafficking, tax and tariff evasion, and corruption related to the performance of official duties or government contracts are the major sources of laundered proceeds. Money laundering primarily occurs through trade-based fraud and bulk cash carriers.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit institutions, stock brokerages, foreign exchange offices, casinos, insurance companies, notaries, tax consultants/auditors, realtors, the state's property agency, trustees, jewelry stores and dealers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit institutions, stock brokerages, foreign exchange offices, casinos, insurance companies, notaries, tax consultants/auditors, realtors, the state's property agency, trustees, jewelry stores and dealers

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None -- 2008 - 2010

Convictions: None -- 2008 - 2010

Assets forfeited: ***criminally:*** None - 2008 - 2010 ***civilly:*** None - 2008 - 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

The Kyrgyz Republic is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government has adopted anti-money laundering/counter-terrorist financing legislation and established a Financial Intelligence Service. However, the lack of political will and inter-agency cooperation, resource constraints, inefficient financial systems and corruption hamper efforts to effectively combat money laundering and terrorist financing.

Key reporting issues that need to be resolved: auto dealers and real estate developers are not included in the list of entities required to report large dollar transactions. Additionally, the statutory threshold amount that triggers mandatory reporting remains high: \$25,000.

The Government of the Kyrgyz Republic should continue to strengthen legislation as it relates to money laundering and financial crimes that support terrorist organizations, both within financial institutions and within those activities that circumvent financial institutions. In addition, the Kyrgyz Republic must increase and enhance training in money laundering and terrorist financing investigative techniques.

The banking system is at risk for money laundering, as oversight of the banking sector is generally weak. Two serious deficiencies include the lack of a 'tipping off' law to prohibit the disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party; and the lack of a "safe harbor" defense to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

Laos

Laos is not a regional or offshore financial center. However, its lack of a comprehensive legal and regulatory framework and ineffective implementation of existing laws increases Laos' vulnerability to money laundering and related financial crimes. Illegal timber harvesting, official corruption, cross-border smuggling of goods and currency, high value used cars, illicit proceeds from the sale of

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methamphetamine and opiates, including heroin, and domestic crime may all be sources of illicit funds. In 2009, the Lao Government endorsed an estimate of the value of the illicit drug economy of about ten percent of GDP or up to \$750 million. There are continued reports of illicit funds being diverted into hotel construction, gaming operations, resort development, mining ventures, golf courses, luxury real and personal property, and industrial tree cropping projects.

Laos receives a large amount of development assistance from overseas donors and there are concerns that a substantial portion of these monies may be stolen or otherwise diverted. In recent years a number of private sector-financed projects and/or parastatal enterprises in the hydropower, mining, and construction sectors have started to generate revenues to the government, but reliable public reporting of these revenues is often lacking and the possibility exists of theft and/or diversion. Anecdotal evidence indicates that bulk cash generated from illicit activities is often smuggled across borders and deposited in accounts in Thailand, China, and Vietnam. During 2010, there were several significant narcotics seizures by Lao law enforcement authorities which involved bulk cash smuggling. Invariably, part of the evidence seized by police or customs agents in such cases includes large amounts of cash (usually in US dollars or Thai Baht). In the largest case, nearly \$175,000 equivalent in Thai Baht was part of the evidence.

The gaming industry represents a particularly large and growing vulnerability. The Ministry of Information and Culture (MOIC) is responsible for the regulation of casinos in Laos. However, its regulatory regime has no known AML controls for casinos in place. In 2010, the Lao Government approved two new special economic zones (SEZs) in Luang Namtha, and Bokeo provinces. Private Chinese companies fully own and manage these SEZs. The Savan-Seno SEZ, established in 2003 in Savannakhet Province, remains under the government's management. The SEZs present an additional complication for the AML regime, as it is not clear that MOIC regulatory authority applies to casinos located inside the SEZs. Other smaller gaming operations apparently operate in Laos--often near immigration checkpoints along the Mekong and across from Thailand.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, finance companies, loan institutions and cash transfer companies

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, finance companies, loan institutions and cash transfer companies

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: criminally: None ***civilly:*** None

RECORDS EXCHANGE MECHANISM:

With U.S.: Not available

With other governments/jurisdictions: Not available

Laos is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its first mutual evaluation was conducted in October 2010. Once finalized, the evaluation report will be available here: <http://www.apgml.org/about/eventDetail.aspx?EventID=65>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Laos (GOL) should place priority upon full implementation of its existing anti-money laundering/counter-terrorist financing (AML/CFT) decrees. The GOL should prioritize capacity building, including training and awareness programs for appropriate supervisory, law enforcement, FIU and prosecutorial personnel as well as the judiciary. The GOL should also reach out to entities subject to the reporting requirements to make them aware of their compliance responsibilities.

The GOL should ensure all entities not supervised by the Bank of Laos, especially the casinos, are adequately supervised and monitored for AML/CFT compliance. Laos began to address the vulnerabilities in the gaming industry through the issuance of a new Prime Ministerial Decree in 2010 on the establishment of SEZs. The legislation prohibits the establishment of casinos in any new SEZ; however, this rule does not apply to the three SEZs currently in operation. At least one “gambling gaming” operation opened at a hotel in Boulikhamxai Province in 2010, apparently financed and/or operated by Vietnamese business interests. During 2010, there was also a public announcement that “internet online gambling” operations would be opened during 2011 under a joint investment agreement with a well known gaming corporation based in Manila.

Reporting entities designated in the anti-money laundering (AML) decree, other than financial institutions, are not believed to be supervised at all for AML purposes. The Bank of Laos issued a guideline for suspicious transaction reporting, but to date the Anti-Money Laundering Intelligence Unit (AMLIU) has received only a small number of reports and none are known to have resulted in referrals to law enforcement. AMLIU does not currently have the data, analytic capacity, or technical and procedural means to detect and refer such cases.

The GOL requires enhanced due diligence for “high risk persons.” However, the AMLIU defines a “high risk person” as any individual who is or has been listed in the “black lists” of the United Nations, and does not clearly state that other individuals who meet a set of high-risk criteria can also be included. The GOL should clearly define high-risk persons to include PEPs and others meeting the high risk profile, beyond those who are or have been on the U.N. designation lists.

Money Laundering and Financial Crimes

The GOL should require reporting entities to submit cases of suspected terrorist financing. The GOL should offer disclosure protection for individuals reporting ML/TF activity, and should criminalize “tipping off” suspect individuals and entities that they are under investigation.

Laos lacks a clear legal and procedural framework for the seizure of assets. The Lao criminal code and drug laws refer to the right of the state to seize assets of convicted drug traffickers, but the legal and procedural processes are not specified, and thus neither the prosecutors nor the court system have taken any legal action regarding asset seizures. The lack of an asset forfeiture regime could hinder Lao assistance in money laundering or terrorist financing investigations and assistance requests. The GOL should implement an asset forfeiture regime that includes a system to account for forfeited assets and ensure they are disposed of in accordance with the laws.

Latvia

Latvia is a regional financial center that has a large number of commercial banks with a sizeable nonresident deposit base. Latvia is among the European economies most affected by the global financial turmoil. To ease the situation, the Government of Latvia (GOL) sought external financial support and agreed to an international stabilization program. Despite the on-going economic crisis in Latvia, total bank deposits have increased in the past year.

Authorities report that the largest sources of money laundered in Latvia are tax evasion and other forms of financial fraud. Lesser sources include smuggling (primarily cigarettes) and public corruption. Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. According to regulators and law enforcement officials, most of the laundered funds derived from financial fraud - and a sizeable portion of the funds derived from tax evasion - originate outside of Latvia. Reportedly, Russian and Latvian organized crime groups are active in Latvia, and authorities believe that a significant portion of all criminal proceeds originating domestically is generated by these groups. Although Latvian regulatory agencies closely monitor financial transactions to identify instances of terrorist financing, no prosecutions or penalties have been initiated based on this monitoring in recent memory.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. These zones are located at the free ports of Ventspils, Riga, and Liepaja, and in the inland city of Rezekne near the Russian and Belarusian borders. Though there have been reports of cigarette smuggling through the free trade zones, there have been no confirmed cases of the zones being used for money laundering schemes or by terrorist financiers. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

Latvian officials maintain that the country is experiencing an overall decrease in financial crimes. While acknowledging that the total amount of assets seized and frozen declined in 2010 (compared to prior years), they observe that transactions tend to be smaller, which they claim is largely attributable to the economic crisis. Meanwhile, statistics for investigations initiated, transactions reports received, and convictions all trended upward in 2010, despite resource limitations which affected all regulatory and law enforcement agencies. GOL officials note that Latvia’s updated “Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing” (amended December 2009) provides a more robust statute for those investigating, interdicting and prosecuting financial crimes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: "all crimes" approach

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions, including credit institutions, life insurance companies and brokers, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, money transmission or remittance offices; tax advisors, external accountants, sworn auditors, sworn notaries, advocates, and other independent legal professionals; real estate agents or intermediaries; organizers of lotteries or other gaming activities; money collection services; and traders of real estate, transport vehicles, items of culture, precious metals, precious stones and articles thereof, or intermediaries in such transactions

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions, including credit institutions, life insurance companies and brokers, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, money transmission or remittance offices; tax advisors, external accountants, sworn auditors, sworn notaries, advocates, and other independent legal professionals; real estate agents or intermediaries; organizers of lotteries or other gaming activities; money collection services; and traders of real estate, transport vehicles, items of culture, precious metals, and precious stones

Number of STRs received and time frame: 19,907 from January through November 2010

Number of CTRs received and time frame: 8,354 from January through November 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 26 persons (involving 62 separate charges) from January through November 2010

Convictions: Seven (involving 14 individuals) from January through November 2010

Assets forfeited: *criminally:* Approximately \$2.46 million from January 1 through November 30, 2010 *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Money Laundering and Financial Crimes

Latvia is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Current laws do not require enhanced due diligence procedures for domestic PEPs, however, they allow discretion to any institution or professional covered by KYC rules to apply enhanced due diligence, based on its risk assessment for a particular customer.

Approximately \$2.1 million was frozen by the FIU through November 30, 2010. Additionally, approximately \$472,000 in assets was seized by law enforcement officials during the same time period.

In April 2005, the United States outlined concerns in a Notice of Proposed Rulemaking against VEF Banka, under Section 311 of the USA PATRIOT Act. The bank was found to lack adequate AML/CFT controls and was used by criminal elements to facilitate money laundering, particularly through shell companies. In August 2006, the United States issued a final rule imposing a special measure against the VEF Banka, as a financial institution of primary money laundering concern. This measure is still in effect. Following the Latvian authorities revocation of the bank's license in May 2010, a lawsuit was filed asserting this action was not legal; that suit was resolved in the Government of Latvia's favor on November 15, 2010. According to Latvian authorities, this resolution means the bank's license cannot be reactivated.

In January 2010, legislative amendments establishing mechanisms for sharing assets with non-EU countries and regarding the application of the EU Framework Decision on the application of mutual recognition of confiscation orders took effect. Latvian officials have cooperated with USG law enforcement agencies to investigate numerous financial narcotics-related crimes. The Latvian Financial and Capital Market Commission regularly exchanges information with the U.S. Securities and Exchange Commission. More broadly, officials in Latvia are also able to provide assistance outside of the formal mutual legal assistance process in accordance with current AML/CFT laws.

Law enforcement and regulatory agencies have a heavy workload and their budgets, salaries, and in some cases, personnel have been reduced due to the severe economic crisis. Despite these constraints, the Latvian FIU referred a total of 256 cases to other investigative agencies in 2010 (through November 30), roughly 80% more than in all of 2009. Of this total, approximately half were related to cases involving tax evasion. In one notable recent case, the Latvian Financial Police - a subordinate agency of the State Revenue Service - performed more than 60 searches in one day in investigating a series of real estate deals allegedly involving Latvian and Russian criminal groups and officials at Latvian credit institutions. This investigation is reportedly tied to approximately \$3.76 million in unpaid taxes and led to the freezing of 60 separate bank accounts. Authorities note increased activity by regulators and law enforcement officials over the past year. They observe that questionable transactions tend to be smaller and conclude that the overall monetary value of money laundering may be decreasing due to the economic crisis.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorist financing challenges. For example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at \$8.2 billion per year. It has been

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reported that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities.

Laundered criminal proceeds come primarily from foreign criminal activity and organized crime. There is some smuggling of cigarettes and pirated software, but the sale of these goods does not generate large amounts of funds that are then laundered through the formal banking system. There is a black market for stolen cars, counterfeit goods and pirated software, CDs, and DVDs. The domestic illicit narcotics trade is not a principal source of money laundering proceeds.

Although offshore banking, trust and insurance companies are not permitted in Lebanon, the government has provisions regarding activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Bank; money exchanges; private couriers who transfer currency for money service businesses such as Western Union and Money Gram; and charitable and nonprofit organizations

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: financial institutions, exchange offices, financial intermediation companies, leasing companies, mutual funds, insurance companies, companies promoting and selling real estate and construction, and dealers and companies engaged in transactions for high-value items

Number of STRs received and time frame: 179 from January through November 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: As of November 2010, eleven cases were transmitted to the penal judge

Convictions: One between January and November 2010

Assets forfeited: criminally: 0 civilly: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent evaluation is posted at www.menafatf.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Lebanon's financial intelligence unit (FIU), the Special Investigations Commission (SIC) is seeking to finalize amendments to Central Bank Circular 83. One amendment would enhance due diligence procedures for foreign PEPs. In the first 11 months of 2010, the SIC investigated 179 allegations of money laundering and terrorist financing activities, a sharp rise from 116 cases during all of 2010. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC have steadily increased, prosecutions and convictions are still lacking.

Customs is required to inform the FIU of suspected TBML or terrorist financing; however, high levels of corruption within Customs create vulnerabilities for TBML and other threats.

In addition to the names of suspected terrorist individuals and terrorist organizations on the UNSCR 1267 Sanctions Committee's consolidated list, the SIC circulates to all financial institutions the the list of Specially Designated Global Terrorists designated by the U.S. pursuant to Executive Order 13224, and entities designated by the European Union under its relevant authorities.

The Government of Lebanon (GOL) should encourage more efficient cooperation between financial investigators and other relevant agencies such as Customs and the Internal Security Force. Lebanon should increase efforts to disrupt and dismantle terrorist financing efforts, including those carried out by Hizballah, which the GOL does not consider a terrorist group. The GOL should consider amending its legislation to allow a greater ability to provide forfeiture cooperation internationally and also provide authority for the return of fraudulent proceeds. The GOL should pass legislation to mandate and enforce cross-border currency reporting. The trading of bearer shares of unlisted companies remains a vulnerability, and the GOL should take action to immobilize those shares as well as to criminalize "tipping off".

In addition, there should be more emphasis on linking predicate offenses to money laundering and not an over-reliance on suspicious transaction reports (STRs) filed by financial institutions to initiate investigations. Existing safeguards do not address the issue of the laundering of diamonds and value transfer through Lebanon directly or by Lebanese buying agents in Africa. Lebanese law enforcement authorities should examine domestic ties to the international network of Lebanese brokers and traders who are commonly found in underground finance, trade fraud, and TBML.

Finally, the GOL should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Lesotho

The Government of Lesotho (GOL) is steadily increasing its control over and ability to monitor the flow of money in Lesotho. The development of the new financial intelligence unit is a prime example of recent

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GOL efforts. Lesotho is not a regional financial center, and any money laundering present is not believed to be related to international terrorism, illegal drugs, or organized crime.

While there is no significant black market for smuggled goods in the country, undeclared and under-declared items pass between Lesotho and South Africa daily. The vast majority of smuggling is low level and committed by individuals. They commonly bring undeclared consumer goods like staple foods and small electronics, or occasionally larger items like automobiles, purchased in South Africa, into Lesotho. Smaller items are smuggled to avoid paperwork and hassle, while larger items are smuggled to avoid paying import fees and taxes. There is some evidence of more illicit activity as small arms are smuggled across Lesotho's porous border, often in exchange for Lesotho-grown marijuana. The funding source is unclear as is the destination of the proceeds.

There is no offshore center in Lesotho. Lesotho is a member of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). SACU provides a common external tariff and the duty-free flow of goods between its five member states. Eleven SADC member states launched a free trade zone in 2008, with three additional members to join at a later stage. The SADC free trade agreement (FTA) aimed to eliminate import tariffs, form a Customs Union in 2010, and adopt a common currency by 2018. However, the Customs Union has not been adopted and the FTA is well behind schedule.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or list approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

Number of STRs received and time frame: Six from January to October 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010

Convictions: None in 2010

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Lesotho is a member of Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. The first mutual evaluation took place late in 2010. Once adopted, the report will be available here: <http://www.esaamlg.org/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Inadequate resources, capacity, and expertise, as well as lack of awareness and training pose serious challenges to the adequate implementation of AML/CFT procedures. Lesotho, however, is making progress. The Directorate on Economic Offenses is now forming its anti-money laundering unit. While, it needs to be strengthened and capacitated, the Ministry of Finance very recently created the financial intelligence unit (FIU) to address the deficiencies in its current AML/CFT regime. The director of the FIU took office in November 2010.

No important cases have emerged during the reporting period. No cases of abuse of nonprofit organizations (NPOs) have been reported, and efforts are underway to develop a legal framework to address NPOs.

Liberia

Liberia is not a regional financial center. Financial controls are weak, and both Liberian and U.S. dollars are legal tender in Liberia, making it easier to launder U.S. currency. There is a significant market for smuggled goods and borders are porous. Document fraud, lax immigration controls, and widespread corruption are significant issues. There is little information on whether money laundering is linked to the sale of narcotics, but few hard drugs are interdicted in Liberia. Civil war and government mismanagement destroyed much of Liberia's economy, especially the infrastructure in and around the capital, Monrovia. Many businesses fled the country, taking capital and expertise with them, but with the conclusion of fighting and the installation of a democratically-elected government the situation is improving. There are no confirmed cases of money laundering or terrorist financing in the Liberian banking sector, which is dominated by Nigerian banks (four of eight banking licenses are operated by Nigerian banks or families). Money laundering enforcement suffers from limited resources, inadequately trained personnel, and a weak judicial system – products of 14 years of civil war.

On December 22, 2003, the UN Security Council adopted Resolution 1521 imposing sanctions against Liberia and designated individuals. The sanctions covered an arms embargo, travel bans and export/import restrictions. Additionally, on March 12, 2004, UNSCR 1532 was adopted, imposing financial sanctions against then-president Charles Taylor and his wife and son. Furthermore, UNSCR 1638 of 2005 gave the UN mission in Liberia the task of apprehending then-president Taylor to facilitate his transport to the Sierra Leone Special Court for prosecution. UNSCRs 1647 (2005), 1836 (2008) and 1854 (2008) reinforced and extended the Resolutions. Subsequently, the export/import restrictions were lifted, and under UNSCR 1903 of December 17, 2009, the arms embargo and travel ban were allowed to expire on December 17, 2010; however, the asset freezing provisions remain in place.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Central Bank of Liberia, financial institutions

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions

Number of STRs received and time frame: 0 in 2010

Number of CTRs received and time frame: 0 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: 0 *civilly:* 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Liberia is a member of the West African Intergovernmental Action Group Against Money Laundering (GIABA), a Financial Action Task Force (FATF)-style regional body. Liberia was scheduled for a mutual evaluation in late 2010. Once adopted, the resulting report can be found here: <http://www.giaba.org/index.php?type=c&id=46&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Draft anti-money laundering legislation calls for the creation of a financial intelligence unit (FIU), which would be housed in the Central Bank of Liberia (CBL). Banks are currently supposed to report suspicious transaction reports to the CBL but few comply with reporting guidelines. The CBL has begun outlining how the new FIU would operate. The CBL has begun drafting a new anti-money laundering/counter-terrorist financing (AML/CFT) law based on international standards.

The Liberia National Police (LNP) investigates financial crimes through the Criminal Investigation Division's Technical Investigation Unit and the National Bureau of Investigation (NBI) investigates crimes through the Economic Crimes and Transnational Crimes Divisions. The Ministry of National Security and the National Security Agency (NSA) are marginally responsible for investigating financial crimes. Intelligence related to money laundering and other financial crimes is handled by various government security organizations in an uncoordinated fashion.

There have been no arrests, prosecutions or convictions for money laundering or terrorist financing. The AML law provides for seizure of laundered assets including property, land, securities, and cash. The police and other security officials have the power to seize drug-related assets, but need permission from the courts. Generally, implementation of laws is hampered by political interference, corruption and weak capacity within the judiciary, and a lack of adequate resources. The Liberian government has not frozen the assets of any of the Liberians (including four Liberian legislators) on the UN asset-freeze list.

In 2010, the Government of Liberia deported seven people to the U.S. after arresting them for allegedly trying to smuggle 4,000 kilograms of cocaine (worth an estimated \$100 million) through Liberia.

Libya

The Libyan oil and gas sectors constitute over 70 percent of GDP. Libya's economy remains primarily cash-based, and hawala and informal value transfer networks are present. Libya is a destination and transit point for smuggled goods, particularly black market and counterfeit goods from sub-Saharan Africa, Egypt and China. Contraband smuggling reportedly includes narcotics, particularly hashish/cannabis and heroin. Libya is not considered to be a production location for illegal drugs, although its geographic position, porous borders and limited law enforcement capacity make it an attractive transit point for illegal drugs. Libya is also a transit and destination country for large numbers of migrants from sub-Saharan Africa, whose movement across borders is primarily facilitated by smugglers. In general, training and resources are lacking to conduct anti-money laundering awareness and for countermeasure implementation. Libya has been going through a slow opening of its financial sector and modernization of its banking system.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: Not available ***civilly:*** Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and financial institutions authorized by the Libyan Central Bank

Enhanced due diligence procedures for PEPs: *Foreign:* Unknown *Domestic:* Unknown

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions authorized by the Libyan Central Bank

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. It has not yet had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is little information or reliable data on the scope of Libya's anti-money laundering/counter-terrorist financing countermeasures including investigations, asset forfeiture, prosecutions, and convictions. Libya has not criminalized terrorist financing.

It is illegal to transfer funds outside of Libya without the approval of the Libyan Central Bank. Cash courier operations are in violation of Libyan law. It is estimated that up to ten percent of foreign transfers are made through illegal means (i.e., not through the Central Bank). Between 1.5 and 2 million foreigners are thought to live and work in Libya. Funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor, particularly transfers by criminal organizations.

Informal hawala money dealers (muhawaleen) exist in Libya, and are often used to facilitate trade and small project finance. Trade is often used to provide counter-valuation or a means of balancing the books between hawaladars. Given the poor quality and limited reach of Libya's banking system, Libya's socialist practices, and commercial rivalries among regime insiders that discourage disclosure of income and business transactions, many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. Until the recent revision of the tax code, tax rates of up to 80-90 percent also encouraged off-the-book transactions.

Liechtenstein

The Principality of Liechtenstein has a well-developed offshore financial services sector, liberal incorporation and corporate governance rules, relatively low tax rates, and a tradition of strict bank secrecy. All of these conditions significantly contribute to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 16 banks, 102 asset management companies, 41 insurance companies and 70 insurance

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intermediaries, 33 pension schemes and five pension funds, 395 trust companies and 27 fund management companies with approximately 411 investment undertakings (funds), and 1,448 other financial intermediaries. The three largest banks control 85 percent of the market.

In recent years the Principality has made continued progress in its efforts against money laundering. In 2009, the Liechtenstein Government recognized the OECD standard as the global standard in tax cooperation and as a result renegotiated a series of Double Taxation Agreements to include administrative assistance on tax evasion cases.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms and investment and real estate companies; dealers in high value goods; insurance companies; lawyers; money exchangers or remitters; casinos; the Liechtenstein Post Ltd.; or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, securities and insurance brokers, money exchangers or remitters, financial management firms, investment companies, real estate companies, dealers in high valued goods, insurance companies, lawyers, money exchangers or remitters, casinos, the Liechtenstein Post Ltd.; or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

Number of STRs received and time frame: 235 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Seven between September 1, 2008 and October 18, 2010

Convictions: Two between September 1, 2008 and October 18, 2010

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Liechtenstein is a member of Moneyval, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Liechtenstein has shown an important effort to improve deficiencies in money laundering. The 2009 reporting year saw a new record high number of suspicious activity reports (SARs) at 235, an increase of 24.3% compared to 189 SARs in 2008: 57.9% of the SARs were based on fraud; 11.5% on money laundering; and 30.6% on the other enumerated offense categories. No SARs were submitted for suspected terrorist financing. In 2009, 74% of Liechtenstein's SARs were forwarded to the Office of the Public Prosecutor (in 2010, so far 82% have found their way to the Office of the Public Prosecutor).

In practice, many of the customer characteristics considered high-risk in the international standards, including non-resident and trust or asset management accounts, are considered routine, subject only to normal customer due diligence procedures. Liechtenstein also decided not to include entities with bearer shares, trusts and foundations, or entities registered in privately-held databases in the high-risk category. The present SAR reporting requirements do not clearly indicate whether "attempted transactions" relating to funds used in connection with terrorism are covered.

There are reportedly no abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors.

Lithuania

Lithuania is not a regional financial center. Lithuania has adequate legal safeguards against money laundering; however, its geographic location makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, smuggling, illegal production and sale of alcohol, capital flight, and profit concealment, are tied to tax evasion by Lithuanians. There are no reports of public corruption contributing to money laundering or terrorist financing.

Lithuania has Free Economic Zones (FEZ) in the cities of Klaipeda and Kaunas. As of yearend 2010, there are 20 businesses operating in the Klaipeda FEZ, and nine in the Kaunas FEZ. The companies operating in the zones have the same accounting and identification responsibilities as those operating outside the zones. Lithuania's EU accession agreement permits the indefinite operation of existing free trade zones, but precludes the establishment of new ones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; and dealers in art, antiquities, precious metals and stones and high-value goods

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; and dealers in art, antiquities, precious metals and stones and high-value goods

Number of STRs received and time frame: 213 in 2009; about 200 -- January through November 2010

Number of CTRs received and time frame: Approximately 700 by December 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 16 from January 2010 to December 15, 2010

Convictions: One

Assets forfeited: *criminally:* Approximately 73 million litas (approximately \$30 million) in 2009; approximately \$93 million litas (approximately \$37 million) in 2010 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Lithuania is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Lithuania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Lithuania has a comprehensive anti-money laundering/counter-terrorist financing regime and is continually enhancing its laws and regulations as necessary to adhere to international standards.

In 2008, an Irishman was arrested in Vilnius and charged with, among other charges, seeking to aid a terrorist organization. The Irishman was apprehended while meeting a Lithuanian agent posing as an arms dealer. His trial is ongoing.

Luxembourg

Despite its standing as the second-smallest member of the European Union (EU), Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination of listed crimes and a penalty threshold

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, pension funds, insurance brokers, undertakings for collective investment (UCIs), management companies, external auditors, accountants, notaries, lawyers, casinos, gaming establishments, real estate agents, tax and economic advisors, domiciliary agents, and insurance providers

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, pension funds, insurance brokers, UCIs, management companies, external auditors, accountants, notaries, lawyers, casinos, gaming establishments, real estate agents, tax and economic advisors, domiciliary agents, and insurance providers

Number of STRs received and time frame: 4,866

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 107

Convictions: 51

Assets forfeited: *criminally:* 26.8 million EUR (approximately \$36 million) *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: Not available

Luxembourg is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/40/7/44655591.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Law of 3 March 2010 introduces the criminal liability of legal persons into the Penal Code and into the Code of Criminal Procedure,

A Grand-Ducal Decree from February 2010 sets out several provisions concerning inter alia a) prohibition of accounts opened in fictitious names and specifications on numbered accounts; b) the verification of the powers of the natural person purporting to act on behalf of the customer; c) the identification of the beneficial owner; d) the determination of whether the customer is acting on behalf of another person; e) the scope of simplified due diligence; f) the regime of enhanced due diligence by specifying the measures and the risk management applicable to non face-to-face clients and transactions, correspondent banking and politically exposed persons; and, g) the specification of the obligation to report suspicious transactions.

The horizontal Law of 27 October 2010 entered into force on November 7, 2010. The Law introduces a considerable number of changes to the existing AML/CFT provisions and proposes to bring changes to as many as 20 existing Laws. The Law strengthens the existing AML/CFT provisions by extending the coverage of the money laundering and terrorist financing offenses and the asset forfeiture regime; clarifying and enhancing know-your-customer procedures; increasing sanctions and penalties; providing a supervisory regime for real estate agents, dealers in high-value goods, and trust and company service provider; establishing a cross-border currency declaration system; and strengthening the authority and access to information of the FIU.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China (PRC), is not a significant regional financial center. Banks and insurance companies mainly offer traditional products and services to the local population. However, as the world's biggest gambling market by revenue, benefiting from millions of visitors - mostly from nearby mainland China - Macau is vulnerable to becoming a hub for the laundering of criminal proceeds. Reported annual gaming revenues for 2010 were over \$23.5 billion, although observers note that the amount of unreported illegal side-betting could be as much as ten times reported revenues. In addition to the existence of casinos, close proximity border with PRC and Macau's open economy, including lack of controls on cross border physical movement of cash, are factors that create a risk of money laundering and terrorist financing activities. The primary sources of criminal proceeds in Macau are drug-related crimes, organized crime, and illegal gambling. Networks spanning across Macau's boundary with mainland China account for much of the criminal activity.

Loosely-regulated gaming promoters, known as junket operators, profit from sourcing the majority of Macau's VIP players who contribute to over 80 percent of gaming revenues. They finance gamblers while in Macau, assuming credit risk and mingling customer funds in a consolidated junket account, and supply them to the casinos on commission. Junkets are increasingly popular among gamblers seeking anonymity and among casinos aiming to reduce credit default risk. This inherent conflict of interest, together with anonymity provided through use of the junket operator to transfer funds, presents significant challenges to anti-money laundering measures in the gaming sector.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high-value goods (e.g., jewels, precious metals, vehicles, etc.), notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: All persons, irrespective of entity or amount of transaction involved, are required to file STRs

Number of STRs received and time frame: 1,220 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two (January to September 2010)

Convictions: 0

Assets forfeited: criminally: \$806,000* (January to November 2010) ***civilly:*** Not applicable

* Forfeited assets credited to Macau Government in 2010 from a 2008 conviction.

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:
<http://www.apgml.org/documents/docs/17/Macao%20ME2%20-%20FINAL.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Macau has no formal law enforcement cooperation agreements with the United States, informal cooperation between the two routinely takes place. U.S. government agencies work closely with Macau counterparts in capacity building measures, information exchange, and investigations. Macau’s Financial

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Intelligence Unit (FIU) has been an essential component in coordinating AML/CFT efforts. The Government of Macau (GOM) established the FIU in 2006 as a non-permanent government entity in order to avoid having to seek legislative approval. The FIU's current term expires in August 2012. The GOM should permanently institutionalize it without term limits, given the FIU's crucial role in sustaining a long-term AML/CFT infrastructure.

The AML law does not require currency transaction reporting (CTR). However, gaming entities are subject to threshold reporting under the supplementary guidelines of the Gaming Inspection and Coordination Bureau (GICB). Currently, the GICB only shares statistical data on CTR filings with the Financial Intelligence Unit (FIU). To enhance the FIU's ability to detect and deter illicit activity, the FIU should have full access to CTR reports collected by GICB.

Under current regulatory guidelines, financial institutions are obligated and do identify and freeze suspect bank accounts or transactions. However, the GOM cannot provide mutual legal assistance on AML/CFT under existing legislation. Macau should enhance its ability to support international efforts by developing its legal framework to facilitate the freezing and seizure of assets. The GOM can provide mutual legal assistance on criminal matters, even without a formal agreement, and cooperation between the GOM and the United States routinely takes place.

Macau continues making considerable efforts to develop an AML/CFT framework that meets international standards. It should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators. It also should implement mandatory cross-border currency reporting requirements.

Macedonia

Macedonia is not a regional financial center. Most financial transactions are done through the banking system, which is regulated and supervised. However, cash transactions and settlements of considerable amounts sometimes take place outside the banking system. Money laundering in Macedonia is mostly connected to financial crimes such as tax evasion, smuggling, financial and privatization fraud, insurance fraud, bribery, and corruption. Most of the laundered proceeds come from domestic criminal activities. A small portion of money laundering activity may be connected to narcotics trafficking. There is no evidence that narcotics trafficking organizations or terrorist groups control money laundering. Also, there is no evidence that weapons or human traffickers have been involved in money laundering activities using bank or non-bank financial institutions. However, since organized crime groups are involved in both weapons and human trafficking in Macedonia, it is possible that proceeds from these activities have been laundered by investing in businesses.

Macedonia is not an offshore financial center, and the Law on Banks does not allow the existence of shell banks in Macedonia. Banks do not allow the opening of anonymous bank accounts, and bearer shares are not permitted. There is no evidence that alternative remittance systems exist in Macedonia. There are a few operational free trade zones in Macedonia, which all function as industrial zones within which some industrial production has the legal right to receive the benefits of a free trade zone. The production facilities enjoying these benefits are owned by foreign investors. The GOM is trying to attract more foreign investment by leasing out several large free trade zones throughout the country.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes approach

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, savings houses, exchange offices, stock exchanges, central registry, central securities depository, credit bureaus, brokerages, insurance companies, auditing companies, accountants, notaries, attorneys at law, real estate agents, consultants, NGOs, casinos and gaming centers

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, savings houses, exchange offices, stock exchanges, central registry, central securities depository, credit bureaus, brokerages, insurance companies, auditing companies, accountants, notaries, attorneys at law, real estate agents, consultants, NGOs, casinos and gaming centers

Number of STRs received and time frame: 279 from January through November 2010

Number of CTRs received and time frame: 75,482 from January through November 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two from January to November 2010

Convictions: One from January to November 2010

Assets forfeited: *criminally:* \$104,000 from January to November 2010 *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Macedonia is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: www.coe.int/moneyval

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Dealers of arts, antiques, and other high-value consumer goods, entities dealing with jewelry and precious metals, and travel agencies are excluded from the list of entities obliged to report suspicious and cash transactions to the Macedonian FIU. So far, there is no evidence that any of these entities engage in money laundering or terrorist financing activities.

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Non-bank financial institutions, including exchange offices and non-bank money transfer agents, as well as all other reporting entities, are poorly supervised and audited in regard to anti-money laundering/counter terrorist financing programs and practices. These institutions are to be supervised by the Public Revenue Office; in practice such inspections rarely occur as the Public Revenue Office is focused on investigating tax evasion. There is a need for improving supervision of the non-bank financial sector and providing necessary resources and training to ensure full implementation of laws. Although mandatory, reporting by lawyers, accountants, brokers, real estate agents, consultants, NGOs, casinos, and notaries is irregular, but improving.

The FIU's competencies overlap in many areas with the Public Revenue Office, the Customs Administration, the Financial Police, and the regular police. Although in the past two or more of these institutions would be working independently on the same cases, coordination between them has been effective, resulting in several coordinated large-scale investigations of cases concerning money laundering, tax evasion, fraud, corruption, and misuse of official position, involving numerous companies and individuals.

Terrorist financing is a crime under Macedonian laws, but to date, there have been no convictions for terrorist financing. There are no indications that financiers of terrorism use trade-based money laundering schemes or the free trade zones for their operations. A few smaller banks and all savings houses lack the ability to electronically identify account holders and transactions by named individuals and usually will cross-check their customer lists with distributed lists manually.

According to the Macedonian Law on Preventing Money Laundering and Other Proceeds of Crime and Terrorism Financing (LPMLTF), financial institutions can temporarily freeze assets of suspected money launderers and terrorist financiers prior to receiving a court order. Frozen assets are confiscated only by a court's final verdict. Although there is existing legislation for management of seized and forfeited assets, more work is needed to bring it in line with good international practices.

Macedonia has passed complex legislation pertaining to judicial reforms, including amendments to the Constitution and the Criminal Procedure Code that allow the use of specialized investigative methods in investigating money laundering cases. In 2010, the Parliament adopted a new Criminal Procedure Code, which after becoming effective in the second half of 2011 will strengthen prosecutors' ability to more effectively prosecute serious and organized crime. Reforms in the judiciary should further enhance efforts to combat organized crime, corruption, terrorism, trafficking in human beings, money laundering, and narcotics, by increasing penalties, tightening definitions, and defining authorities responsible for taking the lead in combating these various crimes. However, real reforms are almost non-existent, the judiciary is highly politicized, and the rule of law is backsliding.

Madagascar

Madagascar is not a regional financial center. Illicit activities, public corruption, and associated money laundering appear to have increased in 2010. Tax and customs fraud, violation of the foreign exchange code, and illegal rosewood logging are the major sources of proceeds. Smuggling of gemstones, protected flora and fauna, and illegal drugs, to a lesser extent, also contributes to money laundering. Madagascar's inadequately monitored 3,000 mile coastline facilitates smuggling and money laundering. Criminal proceeds laundered in the country derive mostly from domestic criminal activity, but are often linked to international trade. It is suspected that most money laundering occurs through informal channels and is not tracked by the government.

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Offshore banks and international business companies are permitted in Madagascar. Along with domestic banks and credit institutions, offshore banks are required to request authorization from the Financial and Banking Supervision Committee (CSBF) which is affiliated with the central Bank.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and other financial institutions

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and moneychangers

Number of STRs received and time frame: 76 in 2010

Number of CTRs received and time frame: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Madagascar is not yet a member of a Financial Action Task Force-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Madagascar (GOM) should continue to implement the requirements of Law 2004-020 and internationally recognized anti-money laundering/counter-terrorist financing standards. The GOM should pass the stalled legislation on terrorist financing. Additional effort should be made to combat smuggling. Money laundering related to underground finance and informal value transfer systems should

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be recognized and enforced. The GOM should train police and customs authorities to proactively recognize money laundering at the street level and at the ports of entry. Additionally, prosecutors should receive training so they are more able to successfully prosecute complex financial crime and money laundering cases.

Contacts have been established with the East and Southern Africa Anti-Money Laundering Group (ESAMLAG) secretariat to start the membership process.

Malawi

Malawi is not a regional financial center. One of the primary sources of illicit funds is the production and trade of Cannabis Sativa (Indian hemp) which is extensively cultivated in remote areas of the country. Anecdotal evidence indicates that Malawi is a transshipment point for other forms of narcotics trafficking. Human trafficking, vehicle hijacking, fraud, and corruption are also areas of concern. Smuggling and the laundering of funds are exacerbated by porous borders and weak enforcement. The Government of Malawi (GOM) has adopted anti-money laundering and counter-terrorist financing legislation; however, the development of institutional capacity and enforcement mechanisms is still lacking.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, microfinance institutions, discount houses, foreign exchange bureaus, estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, and capital markets

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, microfinance institutions, discount houses, foreign exchange bureaus, estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, and capital markets

Number of STRs received and time frame: 15 – January through October 2010

Number of CTRs received and time frame: 509,765 – January through October 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: NONE civilly: NONE

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Malawi is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF) regional body. Malawi's most recent mutual evaluation can be found here: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Malawi's financial intelligence unit (FIU) is set up within the Reserve Bank of Malawi. However, despite numerous suspicious transaction reports (STRs) there have been no successful prosecutions or convictions for money laundering in Malawi.

Now that the Government of Malawi (GOM) has adopted its anti-money laundering and counter-terrorist financing legislation, it should work toward full implementation of its laws. A number of challenges remain. To date, a permanent director has not been appointed to the FIU; there is no provision in the ML Act for administrative penalties; investigative agencies do not have adequate financial and human resource capacity to carry out effective investigation and successful prosecution of money laundering cases; and, investigative agencies have also shown reluctance to seriously tackle the often complex financial cases referred to them by the FIU. Porous borders and uncharted routes make it easier for criminals to smuggle goods, people and currency across to/from Mozambique, Zambia and Tanzania; Malawi has a cash-based economy and there are usually little or no paper trails to follow-up during investigations of financial crimes when transactions have to be reconstructed; and, there is no regulatory or administrative framework for implementing UN Security Council Resolutions 1267 and 1373.

A lack of a national identification system makes it difficult for financial institutions to apply a standard form of identification under the ML Act. Some financial institutions allow their customers to be identified using the Malawi Electoral Commission voter identification certificate. This ID is not reliable, cannot be easily verified and is not fraud proof. Insurance providers are not designated as reporting institutions under the money laundering law.

Malaysia

Malaysia is a growing regional financial center and has a well-developed anti-money laundering/counter-terrorist financing (AML/CFT) framework. Malaysia's long porous land and sea borders and its strategic geographic position increase its vulnerability to transnational criminal activity, including money laundering and terrorist financing in the region. Drug trafficking is the main source of illegal proceeds in Malaysia.

Malaysia's offshore financial center on the island of Labuan is subject to the same AML/CFT laws as those governing onshore financial service providers. The financial institutions operating in Labuan are generally among the largest international banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit suspicious transaction reports (STRs).

Free trade zones in Malaysia are divided into Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. The FIZs are designed mainly to promote manufacturing industries producing goods mostly for export and are dominated by large international manufacturers attracted to the zones because they offer

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preferential tax and tariff treatment. Currently there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in an FIZ or FCZ must be licensed.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions from the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies, and dealers in precious metals and stones

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions from the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; wholesale money changers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies, and dealers in precious metals and stones

Number of STRs received and time frame: 12,489 (2009) and 4,260 (January to April 2010)

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 106 money laundering cases (from 2004-December 2010)

Convictions: 15 convictions (from 2004-December 2010)

Assets forfeited: criminally: \$178,000 (from 2004-December 2010) ***civilly:*** \$16.2 million (from 2004-December 2010)

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Malaysia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Malaysian%20MER%20-%20FINAL%20August%202007.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Reporting institutions are subject to strict customer due diligence (CDD) rules, and the Government of Malaysia (GOM) has adopted banker negligence laws that extend criminal liability to bank directors if their institution launders money or finances terrorism.

As of December 2010, the Attorney General's Chambers was prosecuting 86 money laundering cases involving a total of 4,576 charges with a cumulative total value of RM2 billion (approximately \$645 million) which also includes self-laundering cases.

The use of informal remittances, which are not subject to AML/CFT controls, creates vulnerability for abuse by money launderers and terrorist financiers. Malaysia's competent authority for implementing its AML/CFT laws, Bank Negara Malaysia (BNM), should continue its efforts to encourage the use of formal remittances. Additionally, law enforcement and customs authorities should examine trade based money laundering and invoice manipulation and their relationship to underground finance and informal remittance systems.

A number of terrorist organizations have been active on Malaysian territory, and authorities have taken action against Jemaah Islamiyah and other terrorist networks. Terrorist financing in Malaysia is predominantly carried out using cash and relies on trusted networks. In 2010, Malaysia initiated five new terror finance investigations, its first under the AML/CFT legal framework. Malaysia should take further steps to increase law enforcement capacity to identify, investigate, and prosecute terrorist and proliferation financing.

Malaysia's Labuan Financial Services Authority (LFSA) is responsible for ensuring AML/CFT compliance on Labuan. Malaysia passed the Labuan Financial Services and Securities Act of 2010 (LFSSA) in February to address the remaining regulatory issues that led the OECD in April 2009 to briefly designate Labuan as an uncooperative tax haven. The LFSSA gives LFSA more regulatory, investigative and enforcement authorities over offshore financial services companies licensed in Labuan and removes privacy restrictions on its access to Labuan-based account activities.

In February 2009, LFSA issued an operating license to First East Export Bank (FEEB), a wholly owned subsidiary of Iran-based Bank Mellat, which in 2007 was designated by the United States under E.O. 13382 for its proliferation finance activities. FEEB opened its Labuan operation in August 2009. The United States designated FEEB under E.O. 13382 on November 5, 2009, based on its relationship to Bank Mellat. On June 9, 2010, UNSCR 1929 listed FEEB as an entity subject to UN sanctions. The GOM ordered FEEB's assets frozen and prohibited Malaysian banks from transacting business with FEEB on July 14, 2010, in full compliance with UNSCR 1929. LFSA should remain vigilant to any attempts to use Labuan for proliferation and terrorism finance activities.

Mali

Mali is a member of the West African Economic and Monetary Union (WAEMU), which also includes Benin, Burkina Faso, Cote D'Ivoire, Guinea-Bissau, Niger, Senegal, and Togo. All of the WAEMU

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members share a common currency, the franc CFA. The currency is pegged to the euro and guaranteed by France.

Mali is not a regional financial center, and presently, there are no free trade zones or offshore sectors in Mali. The danger of laundering of illegal proceeds arises from well-travelled trafficking routes moving drugs, small arms, people, and everyday commodities across the Algerian and Mauritanian borders in the sparsely-populated north of the country. Terrorist cells from Al-Qaeda in the Islamic Maghreb (AQIM), known to operate in the north, are suspected of involvement in these smuggling routes. On the 2010 Corruption Index sponsored by Transparency International, Mali placed 116th out of 178 (with 178 being the most corrupt), dropping from 111th in 2009.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: UNKNOWN

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, the Public Treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, casinos

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial organizations, Banks, the Public Treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, attorneys, notaries, auditors, real estate and travel agents, non-governmental organizations, casinos and gaming establishments, and dealers of high-value goods and precious metals and stones

Number of STRs received and time frame: 25 in 2010

Number of CTRs received and time frame: None in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five in 2010

Convictions: None in 2010

Assets forfeited: criminally: None in 2010 civilly: None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Mali is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here: [http://www.giaba.org/media/M_evalu/MALI_word_MER_english\[1\].pdf](http://www.giaba.org/media/M_evalu/MALI_word_MER_english[1].pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Mali's financial intelligence unit, the *Cellule Nationale de Traitement des Informations Financières* (CENTIF) is confident that closer relations with foreign financial intelligence units will improve the number of prosecutions for financial crimes, and will also elucidate the sources and possible destinations of laundered funds. CENTIF enjoys a transparent and mutually beneficial relationship with liaison officers from the customs service, police, and gendarme forces. Significant challenges to CENTIF's efficiency remain lack of funds to mount comprehensive awareness training for bank and public sector employees as well as adequate publicity for the organization itself.

Although many types of entities are listed as covered under Mali's anti-money laundering law, very few are actually conforming to requirements and, with the exception of casinos, designated non-financial businesses and professions are not subject to customer due diligence requirements.

CENTIF suspects that proceeds from cocaine trafficking into Europe from South America may be passed through Malian banks, but CENTIF lacks the necessary cooperation with external banks to make this determination.

Malta

Malta is not a regional financial center. Malta's location between North Africa and Italy makes it a potential transit point for drug and human trafficking to Europe.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

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Covered entities: Banks, currency exchange offices, stockbrokers, insurance companies, money remittance/transfer services, real-estate agencies, auditors, accountants, notaries, tax advisors, trust or asset managers, company formation agents, nominee shareholders, casinos, auctioneers, and dealers in art, precious metals and stones

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, currency exchange offices, stockbrokers, insurance companies, money remittance/transfer services, real-estate agencies, auditors, accountants, notaries, tax advisors, trust or asset managers, company formation agents, nominee shareholders, casinos, auctioneers, and dealers in art, precious metals and stones

Number of STRs received and time frame: 63 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine in 2009

Convictions: Five in 2009

Assets forfeited: criminally: 2,670,811 EUR (approximately \$3,690,000) in 2009 **civilly:** 0 in 2009

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Malta is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Malta_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Malta should continue to enhance its anti-money laundering and counter-terrorist financing legislation and procedures, as appropriate.

Marshall Islands

The Republic of the Marshall Islands (RMI) consists of 29 atolls and five islands, covering 70 square miles of land, spread across 750,000 square miles of ocean. The country is not economically developed and has limited resources for development. The RMI signed a compact of free association with the United States in 1986, and relies on the United States for the majority of its economic support. There are no known terrorist or narcotics money laundering activities in the Marshall Islands.

The RMI offshore corporate sector is vulnerable to money laundering. The Marshall Islands Trust Company and the Marshall Islands Maritime & Corporate Administrators, Inc., provide for a robust registration of corporations and ships. The RMI fleet is the third largest flagged fleet in the world, although almost none of the vessels come to the Marshall Islands. The port of Majuro is visited only by tuna fishing boats, with a few cargo ships per month delivering food and fuel to the nation. Available information indicates nonresident corporations (NRCs), the equivalent of international business companies, can be formed online. NRCs are allowed to offer bearer shares. Corporate officers, directors,

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and shareholders may be of any nationality and live anywhere. NRCs are not required to disclose the names of officers, directors, and shareholders or beneficial owners, and corporate entities may be listed as officers and shareholders. The corporate registry program, however, does not allow the registering of offshore banks, offshore insurance firms, online gaming institutions, and other companies which are financial in nature. Although NRCs must maintain registered offices in the Marshall Islands, corporations can transfer domicile into and out of the RMI with relative ease. Marketers of offshore services via the Internet promote the Marshall Islands as a favored jurisdiction for establishing NRCs. In addition to NRCs, the Marshall Islands offer nonresident trusts, partnerships, unincorporated associations, and domestic and foreign limited liability companies. No current information is available on the extent of offshore corporate operations.

There are two banks in the country, the Bank of the Marshall Islands, and a branch office of the Bank of Guam. There are no brokerage houses or other types of financial firms in the country. Land cannot be sold, so there are no realtors, and there are no casinos or other places typically used to launder money.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: Not defined

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions, insurers, insurance brokers and intermediaries, securities dealers, futures brokers, bullion dealers, businesses issuing, selling or redeeming travelers' checks, money orders, or similar instruments, payroll service businesses involved in collecting, holding and delivering cash, gambling houses, casinos, lotteries, currency dealers and exchangers, money transmission services, financial futures and options, exchange and interest rate instruments, transferable securities, and broker/dealers

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions, insurers, insurance brokers and intermediaries, securities dealers, futures brokers, bullion dealers, businesses issuing, selling or redeeming travelers' checks, money orders, or similar instruments, payroll service businesses involved in collecting, holding and delivering cash, gambling houses, casinos, lotteries, currency dealers and exchangers, money transmission services, financial futures and options, exchange and interest rate instruments, transferable securities, and broker/dealers

Number of STRs received and time frame: 41 in 2010

Number of CTRs received and time frame: 2,406 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: ***criminally:*** None ***civilly:*** None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Marshall Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. The report from the APG's 2004 evaluation is not available online. The APG conducted a new evaluation in September 2010. Once finalized, it may be found at: <http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Marshall Islands has passed national laws that can be used to prosecute money laundering crimes; however these have not yet been used. The laws were passed with the assistance and drafting of both U.S. and EU donors to meet international standards. These laws cover both individuals and corporations. Fines and other punishments (not including incarceration) are included in the statutes. While money laundering is a crime, predicate crimes are not defined, whether by list or a generalized serious crimes approach.

The government does not have an independent national system and mechanism for freezing terrorist assets in a timely manner. The government does not distribute any information on international terrorism to the Bank of Guam or to the Bank of the Marshall Islands.

The RMI should ensure its offshore sector is adequately supervised and that information on company ownership and management is available to law enforcement and supervisory authorities. The Marshall Islands is in the process of signing tax and other types of treaties with other nations. It has signed a tax treaty with Australia.

The RMI became a party to the 1988 UN Drug Convention on November 5, 2010. It also should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Mauritania

The Islamic Republic of Mauritania has a largely informal and under-developed economy. Its economic system suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, lack of enforcement, and corruption in government and the private sector. In recent years, Mauritania has become a transshipment point for cocaine from South America intended for the European market. General smuggling, trafficking in vehicles stolen mostly in Europe, parallel networks, and the provision of logistical support for organized international drug traffickers are all serious problems. The instability that followed the August 6, 2008 coup d'état made the country more vulnerable to informal and illegal economic activity. However, following the 2009 election, the Government of Mauritania embarked upon an aggressive campaign against corruption and the terrorist network of Al-Qaeda in the Islamic Maghreb. The Office of the Inspector General of the State and the Financial Analysis Committee (CANIF) have been empowered to lead efforts to identify, prevent and

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reduce corrupt practices and financial crimes, including financial crimes linked to narcotics and terrorist finance networks.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls.crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, formal money exchanges, remittance offices

Number of STRs received and time frame: Five from 2005-2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five – timeframe is not available

Convictions: Not available

Assets forfeited: criminally: Approximately \$2.2 million - 2005 and 2010 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Mauritania is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It’s most recent mutual evaluation can be found here:

<http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportMauritaniaEng.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Mauritania has been successful in creating a legal and institutional framework to fight financial crimes, there remain many challenges to successfully implement these initiatives in an informal economy. Monitoring informal financial markets also remains a challenge. Only seven percent of Mauritanian

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adults have bank accounts, and informal banking and financial systems remain vulnerable to exploitation. Mauritanian authorities are aware of these issues and are working to formalize financial transactions to the extent possible and to devise mechanisms to prevent the exploitation of the informal financial system.

Mauritania's financial intelligence unit (CANIF) is the office with direct responsibility for oversight of criminal activity in the financial sector. Although CANIF has existed since 2005, due to political instability, it was not truly functional until 2009. Given that CANIF is such a young organization, and has only recently become operational, there is still a great deal of work to be done to formalize its operating procedures.

Mauritius

Mauritius has developed a reputation as a well-regulated and credible international financial center. According to the Mauritius' Independent Commission Against Corruption (ICAC), laundered funds are primarily the proceeds from drug trafficking – mainly heroin, and increasingly, Subutex. Other important predicate crimes for money laundering offenses include aggravated larceny, conspiracy, forgery, swindling, and corruption. Criminal proceeds laundered in Mauritius are not controlled by drug trafficking organizations or organized criminal groups. There is no significant black market for smuggled goods in Mauritius, although there is occasional smuggling of stolen automobiles and cigarettes. According to ICAC, money laundering occurs in the banking system, the offshore financial center, and the non-bank financial system. Criminal proceeds are derived from both domestic and foreign criminal activities.

The Mauritius Global Business Sector is a major route for foreign investments into the Asian sub-continent and is by far the largest source of foreign direct investment and portfolio investment in India. As of December 2010, there were 28,000 Global Business Companies (GBCs) in Mauritius, including 700 licensed global funds. The offshore sector also includes management companies licensed by the Financial Service Commission (FSC) to provide professional services to GBCs. Shell companies and bearer shares are not allowed in Mauritius nor are nominee or anonymous directors or trustees.

The Mauritius Freeport, a free-trade zone (FTZ), was established to promote the country as a regional FTZ center for Eastern and Southern Africa and the Indian Ocean rim. As of December 2010, there were about 350 registered Freeport companies, with a total turnover of \$667 million.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, attorneys, barristers, notaries, chartered secretaries, gaming centers, jewelry dealers, land promoters, property developers, estate agents

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, attorneys, barristers, notaries, chartered secretaries, gaming centers, jewelry dealers, land promoters, property developers, estate agents

Number of STRs received and time frame: 173 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 34 in 2010

Convictions: 19 in 2010

Assets forfeited: *criminally:* None *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Mauritius is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=173

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited capacity and training of the judiciary and the ICAC compromises Mauritius' ability to successfully implement its AML regime. Stronger support of judges to carry cases through successful prosecution is needed.

Legislation to correct deficiencies and amend the AML framework has been pending with authorities since 2006, but most of the amendments have not been tabled to the National Assembly.

Although coordination is possible via the 2003 Mutual Assistance in Criminal and Related Matters Act, international cooperation, particularly on sharing of information, is a lengthy and uncertain process. Timely access to financial documents domestically is also a problem. While Mauritius has a legal framework enabling it to freeze terrorist-related assets without delay, its ability to do so is subject to compliance with judicial proceedings.

Authorities have recently completed the drafting of the Asset Forfeiture Bill, which, when enacted, will consolidate all asset forfeiture functions into a single unit and should bring about major improvements. The new legislation will also provide for civil asset forfeiture and non-conviction based asset forfeiture.

Mexico

Mexico is a major drug-producing and drug-transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other

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significant sources of illegal proceeds being laundered include corruption, kidnapping, and trafficking in firearms and persons. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border and the large flow of legitimate remittances to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers, armored vehicles, and wire transfers remain favored methods for laundering drug proceeds. The combination of a sophisticated financial sector, a large cash-based informal sector, and insufficiently implemented regulatory controls further complicates the problem. According to US authorities, drug trafficking organizations send between \$19 and \$29 billion annually to Mexico from the United States. Mexico has seized over \$457.5 million in bulk currency shipments since 2002. In 2010, bulk-cash seizures amounted to \$32.4 million in U.S. dollars and 87.3 million (approximately \$7 million) in pesos.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and other financial institutions, including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, and centros cambiarios (unlicensed foreign exchange centers)

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and other financial institutions, including mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, and centros cambiarios

Number of STRs received and time frame: 34,511 January through September 2010

Number of CTRs received and time frame: 3.2 million January through September 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 162 from September 2009 to July 2010

Convictions: 17 (37 individuals) from September 2009 to July 2010

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Mexico is a member of the Financial Action Task Force (FATF), of which Mexico currently holds the presidency (until July 2011), and the Financial Action Task Force for South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here:

http://www.fatf-gafi.org/document/20/0,3343,en_32250379_32236963_41911956_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The number of casas de cambio has declined due to actions the Mexican authorities have taken against those with serious AML/CFT violations and the closure of correspondent accounts in the United States. Unlike regulated casas de cambio – of which there are only nine – there are over 4000 centros cambiarios, which are largely unregulated, and approximately 1200 registered money transmitters. Commercial banks, foreign exchange companies, and general commercial establishments also may offer money exchange services. The Government Secretariat issues temporary licenses for national lotteries, casinos, horse races, and sport pools, but these operations as well as lawyers, accountants, real estate agents, dealers of precious metals and stones, and couriers are currently not subject to AML reporting requirements. Legislation to regulate these non-financial entities has been proposed and remains pending in Congress.

The Government of Mexico (GOM) has made fighting money laundering and drug trafficking one of its top priorities, and has made progress in combating these crimes over the course of 2010. Mexico has adopted a national anti-money laundering strategy, increased the capacity of law enforcement and supervisors, and established a vetted police unit. The Mexican government works very closely with U.S. law enforcement on transnational cases. From September 2009 to July 2010, Mexican judges convicted 37 individuals on money laundering charges. Given that from 2004 to 2007, only 17 criminals were convicted of money laundering, this is a notable improvement.

However, Mexico continues to face challenges with respect to its AML/CFT regime, particularly with its ability to prosecute and convict money launderers. The GOM should amend its legislation to ensure that legal persons can be held criminally liable for money laundering and terrorist financing. Mexico should also amend its terrorist financing legislation to fully comport with the UN Convention for the Suppression of the Financing of Terrorism; and enact legislation and procedures to freeze without delay terrorist assets of those designated by the UN 1267 Sanctions Committee. To create a more effective AML/CFT regime, Mexico should fully implement and improve its mechanisms for asset forfeiture, control the bulk smuggling of currency across its borders, monitor remittance systems for possible exploitation, improve the regulation and supervision of money transmitters, unlicensed currency exchange centers, centros cambiarios and gambling centers, and extend AML/CFT requirements to designated non-financial businesses and professions. While some of these issues are addressed in pending AML legislation, the fate of some of the proposals is uncertain as they must pass an opposition-dominated Congress.

On June 15, 2010 the Finance Ministry announced new regulations imposing limits on U.S. dollar (USD) transactions in Mexico. The caps, which were eased on December 3 for border areas, are applicable to cash transactions from dollars to pesos, including deposits, credit payments, and service fees. In addition to limiting transaction amounts for individuals, all USD transactions are prohibited by the regulation for corporate entities and trusts (including account and non-account holding entities), except for those which are account-holders located in border or tourist areas, for which transactions are limited.

On August 26, 2010 the GOM stepped up its AML efforts and announced the National Strategy for the Prevention and Elimination of Money Laundering and Financing for Terrorism along with a package of bills currently pending in Congress. The package includes nine reforms and three modifications to federal

codes, as well as the creation of the Law to Prevent and Identify Operations with Illegal Origins and Terrorism Financing.

Micronesia, Federated States of

The Federated States of Micronesia (FSM) is not a regional or offshore financial center, and has no free trade zones. Its geographic isolation, small and relatively poor population, and limited infrastructure make it a low risk for money laundering and terrorist financing. Money laundering activity primarily originates in public corruption, including bribery and misuse of public funds. The extent of such corruption is unknown and prosecutions are rare. Corruption extends to directing public contracts and employment to unqualified companies or persons; there are no estimates on the amount of money involved.

Both the legislative and executive branches of the government have declined to allocate funds for FSM to join any information sharing organization, which has stymied prosecution of cases with international links. Should legislation authorizing the building of a casino in Pohnpei, currently in committee in the state legislature, be authorized and implemented, concerns for money laundering would rise.

Local law enforcement suspect some smuggled goods are making their way onshore, mostly cigarettes. The FSM's isolation, small and relatively poor population, and limited transportation links make it an unlikely destination for large amounts of smuggled goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls.crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions and “cash dealers,” including insurers, operators of bingo parlors, trustees, and money transaction services

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: All banks and financial institutions

Number of STRs received and time frame: 13 (January 1 – September 30, 2010)

Number of CTRs received and time frame: Not applicable.

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: ***criminally:*** Zero ***civilly:*** Zero

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

FSM is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Financial Intelligence Unit (FIU) of the National Police receives suspicious transaction reports through the Department of Justice (DOJ). The FIU consists of a single police officer. It has no operational or budgetary independence, and relies entirely on the DOJ for funding and the National Police for staff. The officer has both criminal investigative and regulatory responsibilities. Inadequate police training and lack of resources significantly diminish the investigative abilities of both police and FIU staff. There have been no arrests, prosecutions or convictions for money laundering since the FSM criminalized the offense in 2001. The FSM should give the FIU operational and budgetary independence, and build its overall capacity.

The FSM ratified the UN Convention for the Suppression of the Financing of Terrorism in 2001. However, the country has yet to make terrorist financing, or even the commission of terrorist acts, a specific crime. The FSM should make the criminalization of terrorist acts and terrorist financing a priority, and establish an effective implementation mechanism.

Money laundering statutes provide for the seizure of “tainted” property, as well as any benefits derived from the commission of a money laundering offense. However, no property has ever been seized or confiscated under the money laundering statute. There is no civil forfeiture. The FSM should support the investigation of money laundering cases and the seizure and confiscation of assets where appropriate.

Local institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. Although legally obligated, only one of the two banks in FSM currently reports STRs.

The FSM should become a party to the UN Convention against Corruption.

Moldova

Moldova is not considered a regional financial center based on either volume or structure. The Government of Moldova (GOM) monitors money flows through Moldova, but does not exercise control over its breakaway region of Transnistria. Transnistrian authorities do not adhere to GOM financial controls, and maintain a banking system independent of and not licensed by the National Bank of Moldova. Criminal proceeds laundered in Moldova derive substantially from tax evasion, contraband smuggling, and corruption. Money laundering has occurred in the banking system and in exchange houses, along with offshore financial centers in Transnistria. Fifteen banks constitute the Moldovan financial system. Neither offshore banks nor shell companies are permitted to operate in Moldova. Internet gaming sites do exist, although no statistics are currently available on the number of sites in operation. Internet gaming comes under the same set of regulations as domestic casinos.

Moldova contains six free-trade zones (FTZs). Some of these free-trade zones are infrequently used. Reportedly, goods from abroad are frequently imported into the FTZ and then resold without payment of customs duties to the country of origin or to Moldova. The goods are then exported to other countries with documentation indicating Moldovan origin. Companies operating in FTZs are subject to inspections, controls, and investigations by inspectors from the Customs Service and the Center for Combating Economic Crime and Corruption.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, currency exchange offices, investment funds, investment management companies, deposit companies, fiduciary companies, security dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including internet-casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, investment or fiduciary service providers, lawyers, notaries, and organizations that provide postal and telephone mandate exchange or transfer of resource services

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, currency exchange offices, investment funds, investment management companies, deposit companies, fiduciary companies, security dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including internet-casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, investment or fiduciary service providers, lawyers, notaries, and organizations that provide postal and telephone mandate exchange or transfer of resource services

Number of STRs received and time frame: 303,671 from January to October 2010

Number of CTRs received and time frame: 8,973,795 from January to October 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 16 from January to November 2010

Convictions: One from January to November 2010

Assets forfeited: criminally: \$85,750 from January to October 2010 **civilly:** Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Moldova is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Moldova_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Moldova has made some progress in instituting a legal framework for combating money laundering that is consistent with international standards, and has made significant efforts to raise its stature in this area. Despite these encouraging developments, the GOM still faces serious challenges in the enforcement and implementation of anti-money laundering laws, as evidenced by the low level of prosecutions and convictions for money laundering. These challenges may be magnified even further if a November 2010 decision of the Constitutional Court goes into effect. This decision invalidates some provisions of the law regulating the ability of the FIU to collect suspicious transactions reports as well as the ability of authorities to temporarily restrain accounts suspected of involvement with illegal activity. The GOM has issued a decree reinstating the provisions; the enforceability of this document is questionable. As underscored by this recent development, there is a pressing need to review and amend the laws regulating enforcement and implementation of the anti-money laundering framework. This should also include changes to the criminal procedure code to institute non-conviction based confiscation, and to permit special investigative techniques to be applied to a wider range of offenses associated with money laundering and terrorist financing.

Monaco

The Principality of Monaco is the second-smallest country in Europe. It is linked closely to France, and is closely tied to the economic apparatus of the European Union (EU) through its customs union with France and its use of the euro as its official currency. Monaco is known for its security and political stability. Historically, Monaco's casinos, run by a majority state-owned company, were major sources of income. Now, however, the casino revenues constitute less than 3% of the state budget. Monaco's state budget is now based primarily on taxes, duties, and excises which account for 75% of the total income. Monaco's 39 banks and two financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion euros (approximately \$102.8 billion). Non-residents total 46 percent of the financial institutions' total number of clients, representing 60% of the total assets and deposits, respectively almost 84,000 clients and 45 billion euros (approximately \$57.6 billion). Money laundering offenses relate mainly to offenses committed abroad. Reportedly, the Principality does not face ordinary forms of organized crime. There is no significant market for smuggled goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; insurance companies; stockbrokers; corporate service providers; portfolio managers; some trustees; institutions within the offshore sector; casinos; money remitters; real estate brokers; consultants or advisors in business, legal or tax matters; dealers in precious stones, precious materials, antiquities, fine art and other valuable assets; lawyers; notaries; accountants

Number of STRs received and time frame: 478 in 2008

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Monaco is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Monaco_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Monaco (GOM) should enhance the authority of its financial intelligence unit (FIU) to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information obtained does not relate specifically to drug trafficking, organized crime, or terrorist financing. The GOM should become a party to the UN Convention against Corruption.

Mongolia

Mongolia is not a financial center. There are few financial and economic crimes, although numbers have increased in the last five years. Mongolia is vulnerable to a low grade of transnational crime due to the growth in tourism, investment, and remittances from abroad in recent years, but thus far this vulnerability has not translated into a greater incidence of such crime. The increase in reports of suspicious transactions is more likely a product of the increasing effectiveness and experience of the financial

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intelligence unit (FIU). Mongolia's limited capacity to monitor its extensive borders with Russia and China is a liability in the fight against smuggling and narcotics, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods, but this is largely tied to tax avoidance rather than drug trafficking. There are no indications that international narcotics traffickers exploit the banking system, and no instances of terrorist financing have been reported.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, non-bank financial institutions, savings and credit cooperatives, insurance companies, securities dealers, foreign exchange units, pawnshops, and casinos (though casinos are currently prohibited in Mongolia)

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, non-bank financial institutions, savings and credit cooperatives, insurance companies, securities dealers, foreign exchange units pawnshops, and casinos (though casinos are currently prohibited in Mongolia)

Number of STRs received and time frame: 25 (January 1 – December 15, 2010)

Number of CTRs received and time frame: 319,000 (January 1 – Dec 15, 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two (January 1 – December 15, 2010)

Convictions: None (January 1 – December 15, 2010)

Assets forfeited: criminally: None civilly: None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Mongolia is a member the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Mongolia%20Mutual%20Evaluation%202007%20-%20Final%20.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Mongolian FIU expanded international cooperation, signing MOUs with the FIUs of Malaysia, Korea, Nepal, and Afghanistan in 2010. The FIU shared 20 reports (ten incoming and ten outgoing) with foreign FIUs in 2010.

The increasing financial flows in advance of an expected mining-driven boom create a distinct challenge to the Mongolian FIU. Although the Parliament passed a law on December 24, 2009, bringing AML/CFT efforts into harmony with international guidelines, it is not clear that the Government of Mongolia has the capacity fully to enforce this law. While highly professional, the FIU appears under-staffed, and coordination with other law enforcement organizations reportedly remains deficient. Although two cases were opened during the year, the lack of a single successful prosecution to date illustrates the enforcement problem.

Montserrat

Montserrat has one of the smallest financial sectors of the Caribbean overseas territories of the United Kingdom. The Montserratian economy has been effectively halted since the volcanic eruption in 1995 that reduced the population and business activity on the island. Less than 6,000 people remain resident on the island. The island's operating budget is largely supplied by the British government and administered through the Department for International Development (DFID). Export businesses currently based in Montserrat deal primarily in the selling and shipping of aggregate for construction. Imports include virtually everything available for sale on the island. An offshore financial services sector may attract money launderers because of a lack of regulatory resources. None of the offshore banks appears to have a physical presence on the island, complicating regulation.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, securities dealers, money transmission services, company management services, and financial leasing companies

Enhanced due diligence procedures for (PEPs): Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

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Covered entities: Banks, securities dealers, money transmission services, company management services, and financial leasing companies

Number of STRs received and time frame: 15 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2010

Convictions: 0 in 2010

Assets forfeited: **criminally:** 0 in 2010 **civilly:** 0 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Montserrat is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. The most recent evaluation can be found here:

<http://www.imf.org/external/pubs/ft/scr/2003/cr03371.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Montserrat's offshore banks pose significant risks, especially in the areas of know your customer rules and currency declarations. The lack of resources and personnel may reduce the effectiveness of those regulations that are in place. The regulations do not explicitly address offshore banks, and it remains unclear whether they are subject to the regulations' requirements. Additionally, there are apparent deficiencies in the application of many guidelines since they remain a code of practice rather than mandatory legislation.

Montserrat is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Montserrat's international affairs and may arrange for the ratification of any convention to be extended to Montserrat. The 1988 Drug Convention was extended to Montserrat in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime (UNTOC) have not yet been extended to Montserrat.

Montenegro

Independent since 2006, Montenegro continues to develop and improve the capabilities necessary to prevent money laundering, combat terrorist financing and fight corruption. Montenegro is a country of both origin and transit for organized crime activities, with money laundering, drug smuggling and corruption being major areas of concern. Montenegro is a part of the East-West transit corridor for drugs, and government authorities consider drug-related crimes the most serious source of illicit proceeds in the country. In addition, government sources claim laundered money primarily comes from the foreign off-shore zones (British Virgin Islands, Cyprus, Belize) through the purchase of real estate, the acquisition of consumer luxury items and investment in privately owned businesses. Certain factors, such as the high level of cash usage in the economy, may influence the effectiveness of the fight against money laundering and terrorist financing. Montenegro's use of the euro, despite being outside the Euro-Zone, makes it potentially vulnerable to organized criminals seeking to launder cash.

Money Laundering and Financial Crimes

Within Montenegro there exists a significant black market for smuggled items such as stolen cars, narcotics, cigarettes and counterfeit products. Many of these items are trafficked by organized criminal groups. Proceeds from illegal activities are invested heavily in real estate. Montenegrin authorities do not consider Montenegro to be exposed to terrorism or a haven for terrorist finance.

Corruption is another problem which impacts law enforcement organizations and the judiciary in Montenegro. While the government has made legislative and institutional efforts to eliminate corruption, these efforts have yet to produce significant results in the areas of public procurement, privatization, construction permits, public administration, the judicial system, law enforcement and local government. The origin of funds used to acquire companies or businesses during privatization is often unclear or lacking in transparency. Montenegrin criminal justice officials express serious concern about the extent of financial crimes in Montenegro, but lack concrete data to support suspicions and mechanisms to measure corruption and the impact of counter-corruption measures.

In June 2004, Montenegro passed a Free Trade Zone Law, which offers businesses benefits and exemptions from custom duties, taxes and other duties. The Port of Bar is currently the only free trade zone (FTZ) in Montenegro. The Port of Bar Holding Company operates the FTZ. The general business rules of the Bar free zone require each FTZ user to come to an agreement with the Customs Authority of Montenegro on the form of customs records to be maintained about the flow of goods.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, savings banks, credit agencies, loan brokers and savings and loan institutions; organizations performing payment transactions and post offices; investment and pension fund managers; stock brokers; insurance companies and brokers, and branches of foreign insurance companies dealing with life assurance; lotteries and games of chance; exchange offices; pawnshops; auditors, accountants, and tax advice service providers; issuers of electronic money; humanitarian, non-governmental and non-profit organizations; factoring and property management companies; payment and credit card issuers and operators; financial leasing companies; travel and real estate agents; safekeeping and guarantee services; and auctioneers and dealers of motor vehicles, vessels, aircraft, works of art, precious metals and stones, and high-value goods

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, savings banks, credit agencies, loan brokers and savings and loan institutions; organizations performing payment transactions and post offices; investment and pension fund managers; stock brokers; insurance companies and brokers, and branches of foreign insurance companies dealing with life assurance; lotteries and games of chance; exchange offices; pawnshops; auditors, accountants, and tax advice service providers; issuers of electronic money; humanitarian, non-governmental and non-profit organizations; factoring and property management companies; payment and credit card issuers and operators; financial leasing companies; travel and real estate agents; safekeeping and guarantee services; and auctioneers and dealers of motor vehicles, vessels, aircraft, works of art, precious metals and stones, and high-value goods

Number of STRs received and time frame: 99 from January 1 to December 10, 2010

Number of CTRs received and time frame: 53,306 from January 1 to December 10, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2009 and none in 2010

Convictions: Two in 2009 and none in 2010

Assets forfeited: criminally: \$216,200 in 2009 and \$156,160 in 2010 ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Montenegro is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Montenegro_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Harmonization of Montenegro's laws with international standards for anti-money laundering/counter-terrorist financing (AML/CFT) legislation is still pending completion. Although the basic legal and institutional framework to deal with ML/TF is in place, the operational and investigative capacities of law enforcement and the judiciary need further enhancement. Montenegro's FIU, the Administration for Prevention of Money Laundering, lacks sufficient human resources, workspace and IT equipment to deal with its numerous assignments. Remuneration is generally low in all AML/CFT-related agencies.

Collection and management of statistics need improvement, along with the capacity to investigate financial crimes of the police and prosecutors. Prosecutors continue to require additional time and training before they can efficiently take an active role in financial investigations. In addition, closer cooperation and coordination is needed between relevant supervisory agencies such as the Central Bank of Montenegro, Securities Exchange Commission, Insurance Supervision Agency and the FIU, and law enforcement institutions. Broader involvement from the private sector is also necessary.

The framework for international judicial cooperation in ML/TF cases is generally comprehensive. Although Montenegro has signed bilateral cooperation agreements with a number of countries, the country needs to strengthen implementation. During 2010, Montenegro signed bilateral agreements on cooperation in ML/TF with Moldova, San Marino, Russia, and Israel.

Money Laundering and Financial Crimes

The implementation of asset forfeiture laws is still in the initial stages of development, as evidenced by a lack of confiscations related to money laundering crimes and the inability to freeze terrorist assets without delay.

Reporting of suspicious transactions by financial, and particularly non-banking institutions, requires significant improvement. According to the FIU, Montenegrin officials have not recognized the existence of informal systems of financial transfers or alternative remittance systems. While activities in the fight against terrorism are broadly aligned with the existing international regulatory framework, capacities to detect and address activities possibly linked to terrorism need to be further enhanced. There were no precise data on ML from the law enforcement/judicial authorities to assess an overall level of financial crimes in the country.

In August 2010, the Government of Montenegro announced that persons with a credible global reputation will be able to obtain Montenegrin citizenship if they directly invest at least 500,000 euros (approximately \$666,700) in Montenegro and its economy. As of year end this new regulation is still pending; this is a potential issue of concern should the government enact such a provision.

Although legal and institutional mechanisms to fight corruption were strengthened, the perception of corruption remains widespread and could potentially affect efforts to combat money laundering. A Joint Investigative Team, consisting of representatives of law enforcement bodies and headed by the Special Prosecutor was formed in early 2010. In October 2010, the government of Montenegro adopted the Strategy for Prevention of Money Laundering and Terrorist Finance and adopted the Action Plan for its implementation through 2010-2012.

The Montenegrin FIU exchanged information with the US financial intelligence unit, FINCEN, in two high profile cases related to organized crime and money laundering.

Potentially significant accomplishments will be achieved when Montenegro completes amendments to the Law on Prevention of Money Laundering and Terrorist Finance, which are scheduled to be adopted in Parliament in early 2011. The amendments primarily relate to electronic money transfers, new technologies, unusual transactions, reporting of suspicious transactions, and extending the list of designated entities supervised by the FIU.

Morocco

Morocco is not a regional financial center but is well integrated into the international financial system. Money laundering is a concern due to Morocco's international narcotics trade, vast informal sector, trafficking in persons, and large level of remittances from Moroccans living abroad. Cash-based transactions in connection with cannabis trafficking are of particular concern. Morocco remains the world's second largest producer of cannabis, with revenues estimated at over \$13 billion annually. While some of the narcotics proceeds are laundered in Morocco, most proceeds are thought to be laundered in Europe. The predominant use of cash, informal value transfer systems and remittances from abroad help fuel Morocco's informal sector. Only three in ten Moroccans use banks; credible estimates of Morocco's informal sector place it at nearly 15 percent of GDP, and potentially employing over a third of the urban workforce. In 2009, remittances from Moroccans living abroad were approximately nine percent of GDP and drive household consumption by large segments of the population.

Offshore banks are located in the Tangier free zone. They are regulated by an interagency commission chaired by the Ministry of Finance. The free trade zone also allows customs exemptions for goods manufactured in the zone for export abroad. There have been no reports of trade-based money laundering schemes or terrorist financing activities using the Tangier free zone.

Criminal activities of particular risk include bulk cash smuggling, and unverified reports of trade-based money laundering, including under- and over-invoicing and the purchase of smuggled goods. Most businesses are cash-based with little invoicing or paper trails. Unregulated money exchanges remain a problem in Morocco and were a prime impetus for Morocco's anti-money laundering legislation. Although the legislation targets previously unregulated cash transfers, the country's vast informal sector creates conditions for this practice to continue.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

Number of STRs received and time frame: 70 since October 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine since October 2009

Convictions: Nine since October 2009

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Money Laundering and Financial Crimes

Morocco is a member of the Middle East North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.menafatf.org/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Morocco (GOM) has made considerable progress since the promulgation of the 2007 AML law. The juridical framework for countering illicit finance continues to be refined, and a series of proposed amendments responds well to Morocco's practical experience. The establishment of Morocco's financial intelligence unit (FIU) in October 2009 was a considerable mark of progress. Morocco's ability to enforce its anti-money laundering statutes should improve as the FIU becomes operational. Proposed amendments, currently under consideration by the Parliament, will further clarify and stipulate STR processing requirements.

The size and adaptive nature of Morocco's informal economy presents serious concerns. Regulatory oversight and investigative expertise must be developed that targets Morocco's large money remittance networks. Regional trade-based money laundering and informal value transfer systems should be addressed.

Mozambique

Mozambique is not a regional financial center. Money laundering is believed to be fairly common and is linked principally to customs fraud and narcotics trafficking, although there may be links to terrorist groups as well. Most narcotics are destined for South African and European markets; Mozambique is not a significant consumption destination and is rarely a transshipment point to the United States. Local organized crime controls narcotics trafficking operations in the country, with significant involvement by Pakistani and Indian immigrants. While money laundering in the banking sector is considered to be a serious problem, foreign currency exchange houses, cash couriers, and the hawala remittance system play more significant roles in financial crimes and money laundering. Much of the laundering is believed to be happening at foreign currency exchange houses. The number of exchange houses operating in Mozambique surpasses the number required for normal business. Authorities believe the proceeds from illicit activities also have helped finance commercial real estate developments, particularly in the capital. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail and banking sectors in most parts of the country.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civily:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and credit companies; securities companies and exchanges; debt collectors, leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and credit companies; securities companies and exchanges; debt collectors, leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Mozambique is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. It has not yet had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources and high levels of corruption hamper the government of Mozambique's ability to fight money laundering and terrorist financing and enforce anti-money laundering regulations. Drug traffickers use U.S. dollars as their primary currency when moving proceeds through local financial institutions; however, local institutions lack the funding, training, and personnel necessary to investigate money laundering activities and enforce the law. Porous borders and a lack of effective customs enforcement facilitate smuggling, trade-based money laundering, and informal value transfer systems.

Authorities acknowledge that alternative remittance systems are common in Mozambique, many of which operate in exchange houses that, on paper, are heavily regulated but in fact can easily avoid reporting requirements. There are no serious legislative, judicial, regulatory, or enforcement measures being considered to address this problem.

The law to establish the Financial Intelligence Office, Mozambique's FIU, was approved by the Parliament in July 2007. The Director General of the Financial Intelligence Office was appointed in September 2008, and in 2010, the Office hired the initial staff. Since October 2010, the staff has been located in new FIU premises, although the offices are not fully operational.

Money Laundering and Financial Crimes

Financial institutions do not have direct access to the names of persons or entities included on the UN 1267 Sanctions Committee's consolidated list; this list is distributed only to the Central Bank, the Attorney General, the Ministry of Finance, and the Ministry of Foreign Affairs.

Namibia

Although Namibia has one of the most highly developed financial systems in Africa, it is not considered a regional financial center. Sources of potential money laundering in Namibia are related to both regional and domestic criminal activities. Falsification or misuse of identity documents, customs violations, trafficking of precious metals and gems, trafficking in illegal drugs, and stolen vehicles - mostly from South Africa - are regional problems that affect Namibia. Organized crime groups involved in smuggling activities generally use Namibia as a transit point - particularly for goods destined for Angola. Domestically, real estate as well as minerals and gems are reportedly used as vehicles for money laundering. Namibian authorities believe the proceeds of these activities are laundered through Namibian financial institutions, but on a small scale. The Namibian government has set up Export Processing Zones (EPZ). There is no indication of significant money laundering or terrorist financing via EPZs.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and non-bank financial institutions, Casinos or gaming institutions, exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops, realtors, high-value dealers in art and vehicles, and intermediaries such as lawyers, accountants, notaries, or broker/dealers

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and non-bank financial institutions, exchange houses, stock brokerages, cash couriers, casinos, dealers in jewels and precious metals, insurance companies, pawn shops, realtors, high-value dealers in art and vehicles; and intermediaries such as lawyers, accountants, notaries, or broker/dealers

Number of STRs received and time frame: 483 from May 2009 to December 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: YES civilly: YES

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Namibia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.esaamlg.org/userfiles/Namibia_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Namibia is revising its anti-money laundering framework to change from a rules-based to a risk-based approach. In certain subsectors regulatory bodies cannot impose sanctions such as the withdrawal of licenses for members that are not complying with Namibia's AML framework. There are separate bills in draft to cover gambling and estate agents that would augment the powers of regulatory authorities to monitor and enforce Namibia's AML framework. There have not yet been any arrests or prosecutions for money laundering. Three cases have resulted in provisional forfeiture orders. One provisional order was overturned in the courts. The remaining two provisional orders can still be challenged in the courts.

Namibia has not reached any bilateral agreement with the United States authorities on a mechanism for exchange of records in criminal matters. However, Namibia has made substantial efforts to cooperate with the United States in the area of law enforcement, especially in the area of extradition. Namibia has cooperative agreements with countries in the Southern African Development Community.

Namibia should continue to implement its AML laws and should pass the pending anti-terrorism bill. As part of the implementation process, the Government of Namibia (GON) should ensure sufficient resources and training are provided to supervisory, analytical, investigative, prosecutorial and judicial entities with responsibilities under the laws. Cross-border currency reporting should be implemented and further measures taken to enforce Namibia's porous borders. The GON should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

Nauru

Nauru is a small Central Pacific island nation with a population of approximately 10,000. It is an independent republic and an associate member of the British Commonwealth. Nauru does not control its exchange rate. It does set its budget and fiscal expenditures but it does not set the monetary policy of its currency, the Australian dollar. No banks operate on the island; all offshore firms were closed last year. Nauru is in talks with regional banking companies to establish commercial bank outlets. In line with its National Sustainable Development Strategy (NSDS) 2005–2025, the government enacted and enforced legislation to abolish offshore banks used for money laundering by criminal syndicates. Nevertheless, Nauru is an established "zero" tax haven, as it does not levy any income, corporate, capital gains, real estate, inheritance, estate, gift, sales, or stamp taxes. There is no known major criminal activity on Nauru itself that generates laundered funds.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Unknown

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: Unknown

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Not available

Enhanced due diligence procedures for PEPs: Foreign: Unknown *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Non-bank financial institutions, money remitters, securities and investment businesses, insurance, real estate agents, dealers in precious metals and stones, trust or company service providers, and legal entities

Number of STRs received and time frame: 0 in 2010

Number of CTRs received and time frame: 0 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: NO *civilly:* NO

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Nauru is a member of Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. It is in the process of undergoing a mutual evaluation. Upon adoption, the evaluation report may be found here: <http://apgml.org/documents/default.aspx?DocumentCategoryID=17>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nauru's Anti-Money Laundering Act 2008 provides for the freezing and forfeiting of tainted and terrorist property. However, there has not been any occasion to enforce existing asset seizure and forfeiture laws.

The Government of Nauru (GON) should establish and implement reporting requirements for inbound currency and negotiable instruments. The GON should become a party to the UN Convention against Corruption, the 1988 UN Drug Convention, and the UN Convention against Transnational Organized Crime.

Nepal

Nepal is not a regional financial center. Government corruption, poorly regulated trade, weak financial sector regulation, and a large informal economy make the country vulnerable to money laundering and

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terrorist financing. The major sources of laundered proceeds stem from tax evasion, corruption, counterfeit currency, smuggling, and invoice manipulation. There is a large, unregulated, informal remittance system in Nepal, which is also vulnerable to money laundering and terrorist financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE US OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, some government agencies, lawyers and notaries, auditors and high value metals and stone traders

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, some government agencies, lawyers and notaries, auditors, and high value metals and stone traders

Number of STRs received and time frame: Over 200 in 2010

Number of CTRs received and time frame: Over 1,000 per month in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One over one year

Convictions: One over one year

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Nepal is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. As of September 2010, Nepal is undergoing a mutual evaluation by the APG. Its most recent completed mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/8/Nepal%20MER%20Executive%20Summary.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money Laundering and Financial Crimes

Nepal has enacted anti-money laundering laws and has established a financial intelligence unit (FIU), but is still in the beginning stages of implementing an effective anti-money laundering/combating the financing of terrorism (AML/CFT) regime. Much of the financial sector lacks basic awareness of the new AML/CFT requirements and suspicious transaction reporting requirements and procedures. While the Assets Laundering Prevention Act was passed in 2008, Nepal's FIU is still putting in place the required directives. Due to gaps in the Act, the KYC rules may not be enforceable, and the FIU directives' provisions on customer due diligence lack sanctions for failure to comply. In addition, the Government of Nepal (GON) lacks human resource expertise and skills in the responsible agencies, particularly in investigation techniques. Nepal also lacks a comprehensive anti-terrorism law, undermining enforcement efforts.

Coordination among the key government agencies is weak. The Nepal Police have no direct role in money laundering enforcement, which is the responsibility of the Department of Revenue Investigation, which also oversees tax enforcement. Tax evasion is rampant in Nepal, and the Department of Revenue Investigation's dual role inhibits money laundering enforcement as financial institutions and individuals are reluctant to provide relevant information.

As a matter of practice, only banks receive the UN list of designated terrorists and terrorist entities; most money transmitters, foreign exchange dealers, cooperatives, and other non-bank financial institutions do not receive the lists. In addition, most financial institutions do not have real-time checks of UN designated entities.

FIU officials have identified under-and-over invoicing as a major money laundering challenge. The FIU is in the process of developing an e-reporting system to help improve data collection, but the system will not be functional for another one or two years.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities. These activities are often related to the sale of cocaine, cannabis, or synthetic and designer drugs (such as ecstasy). Financial fraud, especially tax-evasion, is believed to generate a considerable portion of domestic money laundering, and there is increasingly less evidence of trade-based money laundering. There are no indications of syndicate-type structures in organized crime or money laundering, and there is virtually no black market for smuggled goods in the Netherlands. In 2009, the number of suspicious transfers was at the lowest level in seven years. Although under the Schengen Accord there are no formal controls on national borders within the European Union (EU), the Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands. Bonaire, St. Eustasius, and Saba are special municipalities of the country the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, exchange offices, casinos, money service businesses, lawyers, notaries, tax specialists, accountants, life insurers, trust and company service providers, credit card companies

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit institutions, securities institutions, investment institutions, money transaction offices, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high-value goods, other traders, accountants, lawyers, business economic consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, independent legal consultants, trust and asset administrative companies

Number of STRs received and time frame: 164,000 in 2009

Number of CTRs received and time frame: 32,100 in 2009

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 770 January through June 2009

Convictions: 328 January through June 2009

Assets forfeited: criminally: 50 million euro (approximately \$64.9 million) in 2009

civilly: Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Netherlands is a member of the Financial Action Task Force (FATF). In lieu of an evaluation by the FATF, the International Monetary Fund (IMF) prepared a Report on the Observance of Standards and Codes (ROSC). The Netherlands underwent a new FATF evaluation in 2010 that is not available as of yearend 2010. The ROSC can be found here:

<http://www.imf.org/external/pubs/ft/scr/2004/cr04312.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2008, the Netherlands Court of Audit published its investigation of the Government of the Netherlands' policy for combating money laundering and terrorist financing. The report criticizes the Ministries of Interior, Finance, and Justice for: lack of information sharing among them; too little use of asset seizure powers; limited financial crime expertise and capacity within law enforcement; and light supervision of notaries, lawyers, and accountants. The ministries agreed in large part with these conclusions and are taking steps to address them.

The Netherlands has established an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the Netherlands’ financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe that a transaction is connected with money laundering or terrorist financing. The FIU investigates UTRs and forwards them to law enforcement for criminal investigation; once the FIU forwards the report, the report is then classified as a suspicious transaction report (STR).

The United States enjoys strong cooperation with the Netherlands in fighting international crime, including money laundering. The Netherlands has ratified the bilateral implementing instruments for the U.S.-EU mutual legal assistance agreement (MLAT) and extradition treaties. The U.S.-EU MLAT came into force in February 2010. One provision included in the U.S.-EU MLAT will facilitate the exchange of information on bank accounts. The Dutch Ministry of Justice and the National Police work together with U.S. law enforcement authorities in the Netherlands on operational money laundering initiatives.

While historically Dutch public prosecutors have moved to seize assets in only a small proportion of money laundering cases, the recent assignment of two dedicated money laundering prosecutors is slowly bringing change. The limited asset seizure is due to a shortage of trained financial investigators and a compartmentalized approach where the financial analysts and operational drug investigation teams often do not act in unison. In order to further increase the confiscation of criminal assets, the Dutch Minister of Justice has introduced a new law, currently before Parliament, that introduces confiscation as a standard procedure of any money driven criminal case, increasing the capacity within law enforcement agencies to take such actions.

Financial institutions do not receive the UN list of designated terrorists directly from the Dutch government, but the Dutch Central Bank holds them responsible for implementing the EU ‘Freeze list’ (the Combined Targeted Financial Sanctions List).

In 2009, the Public Prosecution Office served a summons to suspects of money laundering offenses in 779 cases. The Netherlands Court of Audit reported in June 2009 that 87 percent of money laundering cases referred to the Office of Public Prosecution resulted in a conviction.

In a notable conviction, a Rotterdam court sentenced seven men in April 2009 for cocaine trafficking and laundering at least 22 million Euros (approximately \$31,650,000). Authorities confiscated twenty properties as well as \$3.6 million and 900,000 Euros (approximately \$1,295,000) in cash. In August 2009, the Public Prosecutor’s office in Maastricht confiscated 134 properties and pieces of land from a real estate dealer suspected of money laundering, cannabis cultivation and tax fraud. This is reportedly the largest judicial seizure of property ever in the Netherlands.

New Zealand

New Zealand is not a major regional or offshore financial center, and most financial activities are domestic. The financial sector includes a small number of registered banks, most of which are Australian-owned, as well as non-bank deposit takers, insurance companies, securities dealers, money remitters, and currency exchangers. New Zealand also has a small number of casinos, which operate gaming machines and a variety of table games. Money laundering cases are infrequent in New Zealand. However, authorities note that it is difficult to estimate the extent of money laundering activities, since every serious crime that generates proceeds could lead to a money laundering offense.

Money laundering mostly occurs through the financial system, but the purchase of real estate and other high value assets, as well as the use of foreign exchange dealers has become an increasingly popular

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method of laundering money. Narcotics proceeds (mostly from methamphetamine and cannabis sales) and fraud-associated activity (primarily Internet-banking fraud) are the primary sources of illicit funds. International organized criminal elements, mostly from Asia, are known to operate in New Zealand, but not to a wide extent. New Zealand is a low threat environment for terrorist finance. New Zealand is actively taking measures to comply with international standards and strengthening its ability to detect and deter money laundering and terrorist financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping; asset and individual or collective portfolio managers; and, life insurance or other investment related insurance

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers/dealers; safekeeping; asset and individual or collective portfolio managers; and, life insurance or other investment related insurance

Number of STRs received and time frame: Approximately 3,040 (January 1-August 31, 2010)

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Money Laundering and Financial Crimes

New Zealand is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/1/61/43998312.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With the enactment of the AML/CFT legislation (AML/CFT Act), New Zealand is working to bring its legal framework in line with international standards. Although the AML/CFT Act is in force, these requirements do not come into full effect until December 2012 to give industry time to come into compliance. The effectiveness of this legislation and its implementation will not be fully known until that time.

The AML/CFT Act allows for civil penalties as decided by the court, which is payable to the Crown or to any other person specified by the Court.

New Zealand and the United States do not require a bilateral mutual legal assistance treaty (MLAT) to enter into a mutual assistance relationship. The United States has been designated as a “prescribed foreign country” in New Zealand’s Mutual Assistance in Criminal Matters Act 1992, enabling New Zealand to process requests for assistance from the United States on a reciprocal basis. In practice, New Zealand and U.S. authorities have a good record of cooperation and information sharing in this area.

Nicaragua

The Republic of Nicaragua is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and cash returning to South America. Open source reports suggest the narcotics trade is increasingly linked to arms trafficking. Money laundering is primarily related to proceeds from illegal narcotics and political corruption. There is no indication that money laundering is being used to fund terrorist activities. There is no significant evidence to believe a market for smuggled goods exists in Nicaragua.

Nicaragua’s geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime. Furthermore, corruption and the politicization of the judicial system, the Supreme Court in particular, continue to seriously impede anti-money laundering law enforcement efforts in Nicaragua.

Nicaragua is not considered an offshore financial center. The Nicaraguan Government reports that, as of December 15, 2010, there are 125 companies operating in free trade zones (FTZs) throughout Nicaragua and a total of 49 industrial parks, directly employing approximately 75,000 workers, up from 72,000 workers as of June 2009. Most FTZs are located in Managua and approximately 78% belong to the textile and apparel sector. The National Free Trade Zone Commission, a government agency, regulates all FTZs and the companies operating in them. The Nicaraguan Customs Agency monitors all FTZ imports and exports. It is suspected that money laundering occurs via “traditional” mechanisms such as legal businesses; however, there have been no convictions for money laundering in either sector. There are no reported hawala or other similar alternative remittance systems operating in Nicaragua, however, some evidence exists that there are informal “cash and carry” networks for delivering remittances from abroad that may be vulnerable to, or indicative of, money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, financial institutions, credit institutions, stock exchange systems, savings and loan cooperatives, brokerage firms, money exchangers, casinos, and pawn shops

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, financial institutions, credit institutions, stock exchange systems, savings and loan cooperatives, brokerage firms, money exchangers, casinos, and pawn shops

Number of STRs received and time frame: 360 - January through November 2010

Number of CTRs received and time frame: N/A

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Eight - January to October 2010

Convictions: Seven - January to October 2010

Assets forfeited: criminally: \$1,742,700 - January 2010 to November 2010 *civilly:* N/A

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Nicaragua is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.cfatf-gafic.org/downloadables/mer/Nicaragua_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Statutes enacted to criminalize money laundering and terrorist financing lack sufficient enforcement due to weak enforcement mechanisms and a corrupt judicial system. There were at least two money laundering/drug trafficking cases in which convicted drug traffickers’ sentences were reduced or dismissed by appellate judges under suspicious circumstances.

The law against organized crime has many enforcement deficiencies including not requiring mandatory reporting of suspicious transactions or customers to authorities. The Government has enacted institutional regulations to address some deficiencies but the regulations are weak and lack enforcement capacity grounded in Nicaraguan law. While the law grants the Financial Analysis Commission the ability to monitor other financial institutions it lacks the resources or the power to enforce regulations. Nicaragua does not have a financial intelligence unit. STRs are filed with the National Police Directorate.

Nicaragua did not identify, freeze, seize, and/or forfeit assets in 2010. Asset forfeiture provisions do not include the ability to freeze terrorist assets without delay.

Niger

Niger is not a regional financial center, and its banking sector is rudimentary. It is a member of the Central Bank of West African States (BCEAO), and shares its central bank and currency with other countries in the region. High transaction costs deter businesses from placing large amounts of cash in the banking system. Most economic activity takes place in the informal financial sector.

Money laundering and financial crimes are commonplace in Niger. The country is primarily a transit country for funds related to the trafficking of narcotics and other forms of contraband. Niger is one of the poorest and least developed countries in the world and is not a significant source of criminal proceeds. Since 2008, kidnappings for ransom have become a preferred fundraising method for terrorist groups.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; high-value goods dealers; fund carriers; owners or managers of casinos; travel agencies; and, NGOs

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; high-value goods dealers; fund carriers; owners or managers of casinos; travel agencies; and, NGOs

Number of STRs received and time frame: Two in 2009 and one in 2010

Number of CTRs received and time frame: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2007

Convictions: One in 2008

Assets forfeited: criminally: Not available

civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Niger is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Niger's money laundering and terrorist financing laws are not in full compliance with international standards. Niger participates in international law enforcement cooperation, mutual legal assistance, and asset sharing groups within the region, but does not have bilateral arrangements with the United States. On January 21, 2010, Niger enacted Law # 2010-05 on Terror Financing. This law sets in place a legal framework addressing cross-border transportation of currency as well as charities and nonprofit organizations.

The National Center for the Treatment of Financial Information (CENTIF), Niger's FIU, has accomplished little since it was established in 2004. Only two of the eight reports of suspicious activities received since CENTIF's creation were judged sufficiently serious to merit legal action, leading to one conviction. The CENTIF has also suffered setbacks: the office and records of an ongoing investigation were destroyed by a fire; and it has been forced to move locations twice. CENTIF's president has emphasized the organization's lack of capacity and funding.

Although addressed in the AML/CFT laws, customer due diligence procedures for designated non-financial businesses and professions have not been implemented.

Nigeria

Nigeria is a major drug trans-shipment point and a significant center for criminal financial activity. Individuals and criminal organizations take advantage of the country's location, porous borders, weak laws, corruption, lack of enforcement, and poor socio-economic conditions to launder the proceeds of crime. The proceeds of illicit drugs in Nigeria derive largely from foreign criminal activity rather than domestic activities. One of the schemes used by drug traffickers to repatriate and launder their proceeds

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involves the importation of various commodities, predominantly luxury cars and other items such as textiles, computers, and mobile telephone units.

Proceeds from drug trafficking, oil theft or bunkering, bribery and embezzlement, contraband smuggling, theft, corruption, and financial crimes, such as bank fraud, real estate fraud, and identity theft, constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419" fraud in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually. Money laundering in Nigeria takes many forms, including investment in real estate; wire transfers to offshore banks; political party financing; deposits in foreign bank accounts; use of professional services, such as lawyers, accountants, and investment advisers; and cash smuggling. Nigerian criminal enterprises use a variety of ways to subvert international and domestic law enforcement efforts and evade detection.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING: NO

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, community banks, mortgage institutions, development finance banks, financial service companies, *bureaux de change*; the insurance, and securities and investment industries; discount houses; finance companies; money brokerages; factoring, project and export financing, and equipment leasing; debt and pension fund administration; fund and investment management; private ledger services; project consultancy; estate agents; lawyers; accountants; and, casinos

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, community banks, mortgage institutions, development finance banks, financial service companies, *bureaux de change*; the insurance, and securities and investment industries; discount houses; finance companies; money brokerages; factoring, project and export financing, and equipment leasing; debt and pension fund administration; fund and investment management; private ledger services; project consultancy; estate agents; lawyers; accountants; and, casinos

Number of STRs received and time frame: 2,084 in 2010

Number of CTRs received and time frame: 13,575,712 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Ten in 2010

Convictions: 0

Assets forfeited: ***criminally:*** 0 ***civilly:*** 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Nigeria is a member of the Intergovernmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=49&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Corruption continues to be a significant problem. Weak law enforcement and long delays within the justice sector have hindered the progress of many prosecutions and investigations. Additionally, Nigerian legislation does not provide safe harbor for financial institutions, or their employees, who file STRs in good faith. The GON should amend its legislation to include safe harbor provisions. In 2010, there were no money laundering convictions. The National Assembly should adopt the proposed Special Courts Bill that will establish a special court with specific jurisdiction and trained judges to handle financial crimes, and should consider passing amendments to the Money Laundering Prohibition Act, 2004.

Nigeria does not have an asset forfeiture fund. Consequently, seized assets remain in the custody of the seizing agency until they revert to the Government of Nigeria (GON). Due to lack of proper accountability, forfeited assets are sometimes lost or stolen.

Nigeria's failure to criminalize terrorist financing limits its ability to inhibit terrorism-related activity. Additionally, Nigeria is not able to freeze terrorist assets in accordance with UNSCR 1267. The GON should enact appropriate laws, such as the Prevention of Terrorism Bill, to correct these deficiencies.

Niue

Niue is a self-governing democracy, operating in free association with New Zealand. The Government of Niue (GON) relies heavily on New Zealand to assist with external and economic affairs. Niue is not a regional financial center and has no free trade zones. The country has experienced a significant decline in population, largely from the emigration of its population to New Zealand.

Job opportunities in the formal sector generally are limited to government service or small industry. Niue sought to increase revenue by expanding its financial services sector, including offshore banking. This move resulted in significant money laundering and terrorist financing vulnerabilities, and the GON eliminated offshore banking in 2002.

Niue has in recent years tightened its legislation and formed a financial intelligence unit (FIU) to comply with international standards against money laundering and terrorist financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* Not available

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: Not available

UN lists of designated terrorists or terrorist entities distributed to financial institutions: Not available

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions; safe deposit box, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of travelers checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation and management of companies; and legal persons and arrangements

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions; safe deposit box, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers and remitters; issuers, sellers, or redeemers of travelers checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gambling houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation and management of companies; and legal persons and arrangements

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Niue is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. A copy of its most recent evaluation is not currently available. A new evaluation is scheduled for fourth quarter 2011.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Niue Financial Intelligence Unit has been active since 2006 and is exchanging financial intelligence related to money laundering and financing of terrorism with the New Zealand FIU.

The Niue Crown Law office reports it has received a small number of cash transaction reports. However, it is not apparent that any prosecutions or asset seizures have occurred under its anti-money laundering/counter-terrorist financing (AML/CFT) legislation.

Niue is not a member of the United Nations. Niue generally complies with international AML/CFT standards, and AML/CFT legislation includes the 2004 United Nations Sanctions Regulations (Terrorism Suppression and Afghanistan Measures).

Norway

Although it is a high income country, Norway is not considered a regional financial center. Norway's significance in terms of money laundering is low. There are illicit proceeds related to narcotics sales and production, prostitution, robberies, smuggling, and white collar crimes like embezzlement, tax evasion and fraud. Criminal proceeds laundered in the jurisdiction derive primarily from domestic criminal activity, often by foreign criminal gangs or guest workers who in turn remit the proceeds home. Money laundering and terrorist financing primarily occur through exchange houses and banks, but also to an increasing degree, through alternative remittance systems such as hawala.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, the Central Bank, finance companies, money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, holding houses, dealers in autos and high-value goods

Enhanced due diligence procedures for PEPs: foreign: YES domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

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Covered entities: Banks, the Central Bank, finance companies, money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, holding houses, dealers in autos and high-value goods

Number of STRs received and time frame: 5,294 through the third quarter of 2010

Number of CTRs received and time frame: 3,681 in 2009

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: **criminally:** Not available **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Norway is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/14/0,3343,en_32250379_32236963_43177166_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The FIU voices some concern over the low number and poor quality of reports from certain entities covered by the reporting obligation. Banks, auditors and insurance companies maintain high levels of reporting, while reports from dealers in cars and other expensive items is low and decreasing. Reporting from attorneys is up, but low compared to the high number of transactions covered by this sector. The FIU is attempting to improve the quality of STR reporting by providing specific guidance and follow up to obligated entities. Although aggregate data is not available, for the size of the Norwegian economy the number of money laundering prosecutions and convictions is low.

According to the Norwegian police, institutions' individual compliance departments are responsible for obtaining information on the UN lists of designated terrorists and terrorist entities.

Oman

Oman is not a regional or offshore financial center and does not have significant money laundering or terrorist financing concerns. Due to its location on the tip of the Strait of Hormuz, Oman is home to a small number of smugglers operating between Musandam, the northern-most exclave of Oman, and Iran. Trade is generally financed in small amounts of cash. There is also a small amount of narcotics trafficking in Oman, although the government is proactive in tracking and prosecuting drug traffickers. Sources of illegal proceeds are generally small and derived from smuggling or drug trafficking activities. Hawaladars based in Oman that have been involved with illicit transfers for terrorist financing purposes have been closed down by Omani authorities.

As of March 2010, Oman had a total of 17 licensed banks with 428 operating offices. In 2009, Oman's three largest banks accounted for 65 percent of total assets and credit, 58 percent of total deposits and had combined assets of \$23.8 billion.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in gold, precious metals and stones; notary publics; lawyers and accountants

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in gold, precious metals and stones; notary publics; lawyers and accountants

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 23 in 2009

Convictions: 13 in 2009

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Oman is a member of the Middle East North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Oman was evaluated in 2010. Once adopted, the mutual evaluation will be found here: <http://www.menafatf.org>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Oman is steadily improving its legal system related to AML/CFT, including a 2010 overhaul of its legislation. Through the new AML/CFT law, Oman has retooled its legal, regulatory and

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enforcement mechanisms to accord with international standards. The Omani government is generally transparent regarding its AML/CFT enforcement efforts, although it does not publish information regarding suspicious transactions and criminal prosecutions. The Omani authorities should hasten efforts to finalize steps aimed at empowering the financial intelligence unit to enhance its operational capability. Growing Iranian overtures toward Oman for increased trade and engagement may create conditions for AML/CFT concerns.

In July 2010, Oman issued Royal Decree number 79/2010, which enacts new comprehensive AML/CFT legislation. The AML/CFT Act consolidates Oman's previous anti-money laundering and terrorist financing laws, creates a national committee for combating money laundering and terrorist financing, and codifies Oman's "safe harbor" and mutual legal assistance regulations. The Act also names the Financial Investigations Unit in Royal Oman Police, created in 2008, as the responsible entity for enforcing AML/CFT laws and regulations.

Oman should become a party to the UN Convention against Corruption and the UN International Convention for the Suppression of the Financing of Terrorism.

Pakistan

Pakistan continues to suffer from financial crimes related to narcotics trafficking, terrorism, smuggling, tax evasion, corruption, counterfeit goods and fraud. Pakistani criminal networks play a central role in the transshipment of narcotics and smuggled goods from Afghanistan to international markets. The abuse of the charitable sector, trade-based money laundering, use of hawala/hundi, and physical cross-border cash transfers are common methods used to launder money and finance terrorism in Pakistan and the region. Pakistan's real estate sector is also a popular destination for illicit funds, as many real estate transactions are poorly documented. Pakistan does not have firm control of its borders with Afghanistan, Iran or China, which facilitates the flow of smuggled goods to and from the Federally Administered Tribal Areas (FATA) and Baluchistan. Some consumer goods transiting Pakistan duty-free under the Afghan Transit Trade Agreement are funneled off to be sold illegally in Pakistan. As madrassas (Islamic schools) lack oversight, they have been used as training grounds for terrorists and for terrorist funding, which allows terrorist and militant organizations to receive financial support under the guise of support of Islamic education.

Money laundering and terrorist financing often occur in Pakistan via an overlap of the hundi/hawala alternative remittance system and the formal banking system. The State Bank of Pakistan (SBP) requires all hawaladars to obtain licenses and meet minimum capital requirements. Despite this requirement, few hawalas have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan (particularly Peshawar and Karachi). Fraudulent invoicing is typical in hawala/hundi counter-valuation schemes. Legitimate remittances from Pakistani expatriates residing abroad now flow mostly through the formal banking sector and through licensed money transmitting businesses. According to authorities, in calendar 2010, remittances through formal channels totaled \$9.7 billion, out of an estimated total of \$14 billion.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

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Legal persons covered: *criminally:* YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks (conventional and Islamic, micro-finance banks, development finance institutions), exchange companies, securities markets, non-bank financial companies, and insurance companies

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Any institution: accepting deposits; lending; financial leasing; issuing and managing of means of payment, including credit and debit cards and electronic money; transferring money or value; changing money or currency; participating in share issues and providing services in relation to share issues; engaging in portfolio management; conducting insurance transactions; or carrying out business as an intermediary

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2010

Convictions: 0 in 2010

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://apgml.org/documents/docs/17/Pakistan%20MER%20-%20final%20version.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Pervasive corruption and a lack of political will continue to be the two primary obstacles to an effective anti-money laundering and counter-terrorist financing regime in Pakistan. Pakistan ranks 143 out of 178 countries surveyed in Transparency International's 2010 International Corruption Perception Index. Considering the extent of the financial crime and terrorist financing challenges facing Pakistan, the absence of prosecutions and convictions is telling.

During 2010, the FATF identified Pakistan as a jurisdiction with significant AML/CFT vulnerabilities. In response, the Pakistani government expressed high-level political commitment to address deficiencies in

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its AML/CFT regime. Despite the passage of the Anti-Money Laundering Act of 2010, legislative shortcomings are pervasive and should be addressed accordingly. Additionally, Pakistan's lack of police and judicial capacity contributes to its lack of prosecutions and convictions. Pakistan's financial intelligence unit (FIU) must be strengthened and should be given operational autonomy. The FIU also needs a strong information technology infrastructure to aid in the core functions of collection, analysis and dissemination of financial intelligence. Suspicious and currency transaction reporting should be fully implemented, comprehensive and actionable. Pakistani law enforcement should not, however, become dependent on these reports to initiate investigations; rather, law enforcement authorities should be proactive in pursuing money laundering and terrorist financing in their field investigations. Restrictive information-sharing rules both within the interagency and with foreign counterparts hinder international cooperation.

The Anti-Terrorist Act (ATA) allows the Pakistani government to ban a fund, entity or individual on the grounds of involvement with terrorist activity and permits freezing of accounts. Although legally allowed, there have been deficiencies concerning the timeliness and thoroughness of the asset freezing regime and no formal system is in place to implement an asset forfeiture regime. Section 11B of the ATA specifies that an organization is proscribed or listed if and when the GOP has reason to believe it is involved with terrorism. In light of the role private charities have played in terrorist financing, Pakistan must work quickly to conduct outreach, supervise, and monitor charitable organizations and their activities. Meaningful action should be taken to shut down internationally designated charities and prevent their reopening.

At present there is no requirement to declare inbound currency. Pakistan's relatively strict currency exportation requirements may lead hawaladars to export foreign currency out of the country by other means, including smuggling it across the porous border with Afghanistan. Pakistan should implement and enforce inbound and outbound cross-border currency reporting requirements and focus greater efforts on identifying and targeting illicit cash couriers.

Palau

Palau is not a regional or offshore financial center. The primary sources of illegal proceeds are consumer marijuana sales, prostitution, and illegal fishing by unlicensed foreign vessels. Corruption in the governmental sector includes the misuse of government funds and cronyism, in part due to Palau's small size and extensive family networks. Palau is a low-risk jurisdiction for organized crime and terrorist financing.

Palau has one free trade zone, the Ngardmau Free Trade Zone (NFTZ). A public corporation, Ngardmau Free Trade Zone Authority, oversees the development of the NFTZ and issues licenses for businesses to operate there. NFTZ licensing exempts businesses from Foreign Investment Act requirements and certain import and export taxes. To date, no development has taken place within the area designated for the free trade zone and the NFTZ directors continue to search for developers and investors.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit unions, and money remitters

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit unions, money remitters, and non-governmental organizations

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Palau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Palau%202008.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention and Control Act (MLPCA), amended in 2007, addresses many of the deficiencies in the Government of Palau's (GOP) AML/CFT regime but does not include all predicate crimes prescribed in the international standards. However, the stronger measures are hampered by a lack of human, financial, and structural capacity, along with an absence of implementing regulations.

Significant deficiencies remain in the areas of customer due diligence (CDD), record keeping, monitoring of transactions, and supervision. The Financial Institutions Commission (FIC) is the AML/CFT supervisor, but it does not have the resources to ensure AML/CFT compliance nor to issue any regulations. The designated non-financial businesses and professions (DNFBPs) operating in Palau are not covered by the MLPCA.

The Palau Financial Intelligence Unit (FIU) is responsible for receiving and analyzing SARs, along with tracing, seizing, and freezing assets, but lacks a dedicated budget and staff. The GOP, with assistance from the Pacific Anti-Money Laundering Program (PALP) mentor, organized a multi-agency SAR review team to review the reports and help identify and initiate investigations. The multi-agency approach has

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enabled the FIU to function given its limitations of manpower and funding, and has fostered information sharing and joint investigations between the relevant law enforcement agencies. It is not, however, a long-term solution, and the GOP should dedicate funds and permanent staff to the FIU.

The Cash Courier Disclosure Act has been used successfully by Palau Customs and Security to make bulk cash currency seizures at the airport. The GOP should extend its excellent monitoring of the airport to all its border points of entry and exit to protect against the smuggling of bulk cash, narcotics and other contraband.

Palau's Counter-Terrorism Act specifically addresses its obligation under UN Security Council Resolution 1373. However, it does not adequately address provisional measures of seizing of evidence and property and the freezing of capital and financial transactions related to the financing of terrorism. Palau should strengthen its ability to freeze and confiscate assets related to the financing of terrorism. The GOP should circulate the UNSCR 1267 Sanctions Committee's consolidated list of terrorist entities. Palau should also become a party to the 1988 UN Drug Convention, the UN Convention against Corruption, and the UN Convention against Transnational Organized Crime.

Panama

Panama's strategic geographic location and its economic openness make it a natural location for laundering money derived from drug sales. However, location is only one reason for Panama's attractiveness for money launderers. Panama is promoting itself as the new hub for Central America because it is a leader in developing the physical and financial infrastructure that go with that role. The Colon Free Trade Zone is the second largest free trade zone in the world and the major airline, Copa, is expanding international and local flights. The financial sector is increasing direct marketing efforts to attract regional financial institutions. This current and future access to infrastructure and global connections attracts international clients who know how to use financial and commercial accounts for money laundering.

During 2010, Panama made progress on the policy front in improving the transparency of its financial system. The Government of Panama (GOP) is working diligently to ensure its removal from the OECD's grey list by signing a Tax Information Exchange Agreement (TIEA) with the United States in November and signing Double Taxation Treaties (DTTs), which include similar information exchange provisions, with 13 other OECD members. It is drafting new anti-money laundering legislation and strengthening its financial intelligence unit's authority. Panama still has unregulated parallel market exchanges like hawalas.

Unfortunately, the lack of enforcement of Panamanian banking and anti-money laundering laws undercuts the policy progress the GOP has made. The very factors that contribute to Panama's economic growth and financial sector sophistication – the dollar-based economy, the large number of offshore banks and shell companies, loosely regulated free trade zones, and sustained growth in the ports and maritime industries – are also mechanisms that are vulnerable to abuse for money laundering and other illicit financial activities. Legislation that allows bearer share corporations remains in effect and provides a near impenetrable corporate veil for shareholders. In addition, corruption and weak regulatory bodies impede Panama's progress toward a more transparent economy.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.?: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; free trade zones; finance companies; and real estate brokers

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, cooperatives, and money exchanges, casinos, fiduciaries; insurance companies, government entities focused on the lottery, and investment houses

Number of STRs received and time frame: 944 in 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

Assets forfeited (seized): criminally: \$41 million in 2010 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

In July 2010 Panama became a member of the Financial Action Task Force on money laundering in South America GAFISUD, a Financial Action Task Force (FATF)-style regional body. It moved from the Caribbean Financial Action Task Force to the GAFISUD because the authorities felt it shared more goals and problems with the GAFISUD members. Its most recent mutual evaluation report can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Panama_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Panama_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Panama allows the use of bearer shares and shell company structures based on bearer shares to provide privacy for share holders. These structures are very vulnerable to abuse by criminal groups to launder funds. Panama took steps in 2010 to enhance the transparency of its financial system. In addition to the signature of the TIEA with the U.S. and DTTs with other OECD members, the GOP enacted legislation (Law 33 of July 2010) which requires banks and law firms to share transaction and ownership information

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with the GOP and authorizes the sharing of such information with foreign tax authorities pursuant to TIEA requests. Law 33 complements existing “know your customer” requirements.

Panama allows the transfer of seized assets to other countries when the seizure occurs in the course of an investigation conducted pursuant to a mutual legal assistance request. One asset transfer example occurred in April 2010 in a New York investigation led by the United States Department of Justice which led to the seizure of approximately \$40 million worth of gold, jewelry and assorted gemstones. The assets were seized by the GOP at the request of the U.S. Government, and eventually repatriated to the U.S. Government in recognition of forfeiture orders entered by the United States Attorney’s Office for the Southern District of New York.

Panama’s judicial system has not sentenced anyone under the current money laundering laws. In October, 2010, a former municipal employee and accomplices were brought up on charges of laundering approximately \$2 million using a corporate entity. Other recent cases were either dismissed or are still under investigation.

The Colon Free Trade Zone (CFZ) continues to be vulnerable to illicit financial activities in part because of the following practices: the ease of third party payments made by an intermediary apparently unrelated to the seller or purchaser; use of amended internal credit documents without reasonable justification; customers not required to produce appropriate documentation (e.g., invoice) to support a requested transaction; significant discrepancies exist between transport document information and the invoice; the long-awaited electronic transaction recording information system is operational but not widely used – a total of 5,000 keys to the electronic system were provided to CFZ companies, but most continue to submit transaction information in hard-copy format; and, the ease with which bulk cash can be brought into Panama through the main international airport by declaring it is for use in the CFZ.

The several anti-money laundering regulatory bodies do not communicate well. Panama’s FIU (the UAF), Superintendencia, Banker’s Association, Customs, Consejo and the Judiciary branches do not know each other’s roles and responsibilities.

The UAF is overworked and lacks adequate resources to process, let alone enforce the required reporting. UAF is developing new software that will allow covered entities to submit their STRs electronically. Submissions currently must be made in hard copy with supporting electronic documentation included in CD format.

Money laundering, in and of itself, is still not a priority with the Panamanian Customs Authority. As long as money is properly declared, it flows easily across Panama’s borders. U.S. law enforcement agencies believe millions of dollars in cash and monetary instruments are declared openly upon entry at Panama’s airport without prompting further investigation by Panama’s Customs Authority. There were numerous press reports on corrupt customs/immigration officials during 2010. In October, Panama passed Law 67 which, among other actions, now requires the declaration of cash valued at \$10,000 or over when leaving the country.

Panama cooperates with U.S. law enforcement agencies. There is increasing bilateral cooperation such as maritime operations and the partnership of the Panamanian and US Trade Transparency Units (TTU). Established in 2010 by U.S. Immigration and Customs Enforcement, the Panamanian TTU is a vetted unit whose data mining efforts have provided investigative assistance and insights for many GOP agencies, like the UAF and Panama’s tax authority. Some examples of the TTU’s successes include: the discovery of a network of banks and exchange houses that moved euros from Colombia, using Panamanian banks, to the U.S. and Europe; the use of harmonized tariff codes for perfumes, video gaming and precious

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metals to identify several companies in the CFZ involved in commercial fraud and possible trade-based money laundering; and, information that reveals possible export tax incentive fraud.

Panama's regulated financial institutions are generally not believed to be willingly involved in transactions related to the proceeds from serious crime. If the GOP continues its efforts to improve its anti-money laundering legal framework, particularly eliminating bearer shares, criminalizing "tipping off," initiating efforts to increase prosecutions and convictions, and creating a more transparent financial network, money laundering will become more difficult within Panama's borders.

Papua New Guinea

Papua New Guinea (PNG) is not a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling and public corruption are problems in PNG but there is no evidence these activities generate substantial funds that are laundered. PNG is developing mechanisms to combat money laundering and terrorist financing, but still has a long way to go towards effective enforcement.

PNG is not a destination country for most drugs of abuse. Marijuana is the most commonly produced, distributed, and used illegal drug in PNG, but is seldom trafficked out of the country and doesn't usually amount to any significant value necessitating a sophisticated laundering process. Major sources of illegal proceeds include corporate non-payment of taxes, undervaluing extractable exports, and skirting customs regulations. Papua New Guinea does not have an offshore sector, free trade zone, informal financial sector, or other area particularly vulnerable to financial crimes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions:
YES

KNOW-YOUR-CUSTOMER RULES

Covered entities: Financial institutions; gambling houses, casinos, and lotteries; investment managers; real estate agents; dealers in antiquities; money brokers; attorneys when acting for a client on a financial or real estate transaction; accountants when receiving funds in the course of business relating to deposits, investments or other prescribed business

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS

Covered entities: Financial institutions; gambling houses, casinos, and lotteries; investment managers; real estate agents; dealers in antiquities; money brokers; attorneys when acting for a client

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on a financial or real estate transaction; accountants when receiving funds in the course of business relating to deposits, investments or other prescribed business

Number of STRs received and time frame: 1,094 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* None *civilly:* 1.3 million Kina (approximately \$504,000) in 2010

RECORDS EXCHANGE MECHANISM

With U.S.: YES

With other governments/jurisdictions: YES

Papua New Guinea is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force (FATF)-style regional body. Papua New Guinea was scheduled to undergo a World Bank-led mutual evaluation in late 2010.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS

Papua New Guinea's legal system is still developing and transitioning from traditional law and order systems based on tribal seniority and indigenous customs. Western-style legislation is being generated, but enforcing agencies significantly lack the training, funding, assets, experience, and, in many cases, education to successfully combat sophisticated organized crime. Australian authorities partner closely with PNG counterparts to advise and build capacity in these regards.

The Government of Papua New Guinea should continue its work to develop procedures to conform to international anti-money laundering/counter-terrorist financing programs and standards. PNG law enforcement, specifically the Financial Intelligence Unit and Prosecutor's office should work to identify, disrupt, and prosecute suspected money laundering operations. Papua New Guinea should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic, institutional corruption, occurs in the border region shared with Argentina and Brazil (the Tri-Border Area) and facilitates much of the money laundering in Paraguay. While the Government of Paraguay (GOP) suspects proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by drug trafficking organizations, organized crime, or terrorist groups operating locally. Trade-based money laundering and the trafficking in counterfeit goods are widespread. Weak controls in the financial sector, open borders, bearer shares, casinos, a surfeit of unregulated exchange houses, lax or non-enforcement of cross-border transportation of currency and negotiable instruments, ineffective and/or corrupt customs inspectors and police, and minimal enforcement activity for financial crimes allows money launderers, transnational criminal syndicates, and possible terrorist financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, represents the heart of Paraguay's underground or "informal" economy. The area is well known for arms and narcotics trafficking and

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violations of intellectual property rights with the illicit proceeds from these crimes a source of laundered funds. Some proceeds of these illicit activities have been supplied to terrorist organizations. A wide variety of counterfeit goods, including household electronics, cigarettes, software, computer equipment, video games, and DVDs are imported from Asia and transported across the border into Brazil. A small amount remains in Paraguay for sale in the local economy.

Many high-priced goods in Paraguay are paid for in U.S. dollars. In addition to bulk cash smuggling, the non-bank financial sector, particularly exchange houses, is often used to move illicit proceeds both from within and outside Paraguay into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay through Uruguay and Brazil to banking centers in the United States. The Government of Paraguay (GOP) is in the early stages of recognizing and addressing the problem of the international transportation of currency and monetary instruments derived from illegal sources, so determining what portion of U.S. dollars are related to narcotrafficking is problematic.

As a land-locked nation, Paraguay does not have an offshore sector. However, Paraguay's port authority manages free trade ports and warehouses in neighboring countries' seaports, which are used for the reception, storage, handling, and transshipment of merchandise transported to and from Paraguay. Such free trade ports are located in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira). About three-fourths of all goods entering and exiting Paraguay are transported by barge on the large river system that connects Paraguay with Buenos Aires (Argentina) and Montevideo (Uruguay).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

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Covered entities: Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques

Number of STRs received and time frame: 781 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9 in 2010

Convictions: 0

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Paraguay is a member of the Financial Action Task Force against Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body, of which Paraguay assumed the pro tempore Presidency in December 2010. Its most recent mutual evaluation can be found here:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOP took a huge step forward in regard to money laundering in June 2010 when it passed an anti-terrorism law making terrorism financing an illegal act punishable by five to fifteen years in prison.

Paraguay has shown a great deal of cooperation with U.S. law enforcement agencies. In March 2007, U.S. Immigration and Customs Enforcement created a Paraguay-based Trade Transparency Unit (TTU) to aggressively analyze, identify and investigate companies and individuals involved in trade-based money laundering activities between Paraguay and the United States. As a result of the TTU, Paraguay has identified millions of dollars of lost revenue and has helped target a criminal organization accused of supporting a terrorist entity.

Paraguay is a member of the “3 + 1” Security Group with the United States and the Tri-Border Area countries. Paraguayan and U.S. law enforcement agencies cooperate on a case-by-case basis. To date, the Paraguayan financial intelligence unit (FIU) has signed 29 MOUs with other FIUs and is in the process of signing eight more.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors and public defenders is largely based on politics, nepotism, and influence peddling. The lack of interagency cooperation throughout Paraguay, and particularly within law enforcement, is an impediment to effective enforcement, prosecution, and reporting efforts.

Asset forfeiture legislation is desperately needed in Paraguay. Paraguayan law does not provide for freezing or seizure of many criminally derived assets. Law enforcement can only freeze assets of persons under investigation for a crime in which the state risks loss of revenue from furtherance of a criminal act, such as tax evasion. Enforcement agencies have limited authority to seize or forfeit assets of suspected money launderers. Assets seized or forfeited are limited to transport vehicles, such as planes and cars, and normally do not include bank accounts. When a seizure does occur, law enforcement authorities

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cannot dispose of these assets until a defendant is convicted. A draft bill requesting power be granted to the Secretariat for the Prevention of Money or Property Laundering (SEPRELAD) to administratively freeze assets without judicial approval is currently being reviewed by the Paraguayan Presidency. However, the administrative freeze would only be temporary unless either extended by a court order, or finalized through a conviction.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another non-bank sector where enforcement of compliance requirements remains limited.

There are no laws that regulate the amount of currency that can be brought into or out of Paraguay. Required customs declaration reports are seldom checked. Customs operations at the airports or overland entry points provide no control of cross-border cash movements.

Peru

Peru is not a major regional financial center, nor is it an offshore financial center. Peru ranks as the world's second largest producer of cocaine. Peru's financial intelligence unit (FIU) estimates approximately \$3 billion in illicit proceeds moves through the Peruvian financial sector each year, accounting for approximately two percent of Peru's gross domestic product. Eighty-four percent of this amount relates to drug trafficking, drug operations and businesses, and the remaining relates to fiscal fraud, corruption, and illegal gun dealing. As a result, to integrate these illegal proceeds into the Peruvian economy, money laundering occurs on a significant scale. As the Peruvian economy has grown, financial crimes have also increased. The most common methods of money laundering in Peru involve real estate sales, casinos, business investments, high interest loans, construction, export businesses, hotels, and restaurants. Other factors which facilitate money laundering include Peru's cash-based and heavily dollarized economy, large informal sector, pervasive corruption, and deficient regulatory supervision of designated non-financial businesses and professions (DNFBPs), such as the informal money exchange and wire transfer services. There is a significant black market for pirated and smuggled goods in which cash transactions are the norm. Corruption remains an issue of serious concern in Peru. The Government of Peru estimates the public budget loses 15% per year due to corruption.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, financial institutions, insurance companies, stock funds and brokers, stock and commodities exchanges, credit and debit card companies, money exchange houses, mail and courier services, travel and tourism agencies, hotels and restaurants, notaries, the customs agency, casinos, auto dealers, construction or real estate firms, notaries, and dealers in precious stones and metals

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions; casinos; investment houses; dealers of arms, antiques, precious metals and stones; warehouses, construction and real estate firms; financial and insurance companies; travel agents; vehicle dealerships, import and export agents; credit card companies, courier and postal services, money lenders, and money exchanges; customs; mining companies; individuals and enterprises that manufacture and commercialize explosives or chemical components used in drugs and explosives; and public entities that receive funds from other than the national treasury

Number of STRs received and time frame: 2,337 in 2010

Number of CTRs received and time frame: 2.5 million in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: None

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Peru is a member of the Financial Action Task Force (FATF) for South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.gafisud.info/actividades.asp?offset=-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In July 2010, the Government of Peru (GOP) announced a National Action Plan to combat money laundering and terrorist financing.

Peru's bank secrecy laws remain primary obstacles to effective investigation and enforcement. A number of bills under review in the Peruvian Congress would, if enacted, lift bank secrecy provisions and allow the FIU to access all financial transactions in a timely fashion. In addition, Peru would benefit from expanded supervision and regulation of financial institutions and DNFBPs.

Two specialized prosecutors are responsible for dealing with money laundering cases within the counternarcotics section of the Public Ministry. However, to date, there has not been a money laundering conviction in Peru largely because the Banking Secrecy and Tax Secrecy Law limits the FIU's ability to properly investigate crimes. Moreover, problems at all steps of the prosecutorial system – including investigations, presenting investigative results to prosecutors, the language of investigative results, and the capacity of prosecutors themselves – also contribute to the lack of convictions. Prosecutors claim they

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cannot understand the format or language of many of the FIU's investigative results, and the 120-day time frame for prosecutors to investigate results is insufficient. Compounding the problem, many judges do not understand money laundering cases, and banks often delay providing information to judges and prosecutors. Convictions tend to be for lesser offenses such as tax evasion, which is an easier offense to prosecute successfully.

Informal remittance businesses remain unsupervised and vulnerable to money laundering. These businesses include travel agencies and small wire transfer businesses. The Gaming Sector is also highly vulnerable to money laundering. Sixty percent of the casino sector is considered informal. There are no restrictions on cash-to-cash, cash-to-check, or cash-to-wire transfer type transactions in casinos. Currently 700 establishments are licensed and 70,000 slot machines operate in Peru.

The GOP has not yet specifically and fully established terrorist financing as a crime under Peruvian legislation in a manner that would conform to international standards. However, under Decree Law 25.475, any form of collaboration with terrorism, including economic collaboration, is criminalized. It is not unusual for the FIU to observe an enterprise believed to be related to an international terrorist entity attempt to transfer money from Europe through Peru and then on to other destinations. There are several bills pending in the Peruvian Congress concerning the definition of the crime of terrorist financing.

In November 2010, Peru signed a memorandum of understanding between its FIU and the U.S. Financial Crimes Enforcement Network concerning cooperation in the exchange of information related to money laundering and terrorist financing.

Philippines

The Republic of the Philippines is not a regional financial center. Despite its developed financial system, the Philippines is still a heavily cash-based economy, with substantial remittances from its large expatriate community. Nonetheless, money launderers generally use formal financial institutions to conceal proceeds of crime, and the weak national ID system makes implementing a robust "know your customer" system difficult.

The principle sources of criminal proceeds are human and drug trafficking, official corruption, and investment scams. The Philippines' geographic position makes it attractive to human and narcotics traffickers; and relatively open sea borders complicate enforcement of currency controls. The Philippines continues to experience an increase in foreign organized criminal activity from China, Hong Kong, and Taiwan. Insurgency groups operating in the Philippines partially fund their activities through local crime and the trafficking of narcotics and arms, and engage in money laundering through ties to organized crime. Smuggling, including bulk cash smuggling, continues to be a problem.

There are free trade zones and four offshore banking units (OBUs). The Central Bank exercises regulatory supervision over OBUs and requires them to meet reporting provisions and other banking rules and regulations.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

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Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, quasi banks, trust entities, and all other institutions and their subsidiaries/affiliates supervised/regulated by the Philippine Central Bank; insurance and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agents/consultants; foreign exchange dealers, money changers, remittance/transfer agents; and, entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, quasi banks, trust entities, and all other institutions and their subsidiaries/affiliates supervised/regulated by the Philippine Central Bank; insurance and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agents/consultants; foreign exchange dealers, money changers, remittance/transfer agents; and, entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments

Number of STRs received and time frame: 6,298 (January 1-November 30, 2010)

Number of CTRs received and time frame: 35,924,241 (January 1-November 30, 2010)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 33 as of November 30, 2010

Convictions: One as of November 30, 2010

Assets forfeited: *criminally:* None *civilly:* approximately \$20,592,909 as of November 30, 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent evaluation can be found here:

<http://www.apgml.org/documents/docs/17/The%20Philippines%20DAR%20-%20Final%20%20210809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Philippines' financial intelligence unit (FIU) investigations are severely constrained by limited authority to access bank information. Except in instances of serious offenses such as kidnapping for ransom, drugs and terrorism-related activities, the FIU is required to secure a court order to examine bank

deposit accounts related to unlawful activities enumerated in the Anti-Money Laundering Act. In addition, a Supreme Court ruling prevents ex parte inquiry into bank accounts. The FIU can, however, seek an ex parte freeze order from the Court of Appeals before seeking authorization to inquire into bank deposits. The FIU also must obtain a court order to freeze assets, including those of terrorists and terrorist organizations placed on the UN 1267 Sanctions Committee's consolidated list and the lists of foreign governments. This requirement is inconsistent with the international standard, which calls for the preventative freezing of terrorist assets "without delay" from the time of designation. The Government of the Philippines (GOP) should enhance the FIU's access to financial records, and ensure it can rapidly freeze terrorist assets.

Terrorist financing is not a stand-alone offense under Philippine law and therefore not a predicate crime under the Anti-Money Laundering Act. A person who finances the commission of terrorism may be prosecuted as a terrorist either as a principal by inducement pursuant to Article 17 of the Revised Penal Code or as an accomplice pursuant to Section 5 of the Human Security Act. However, this approach requires a terrorist act to have occurred and does not encompass general financial support to terrorist entities for other purposes (recruiting, training, social welfare projects, etc.). The GOP should criminalize terrorist financing as a stand-alone offense, and enhance training on its connection to money laundering. The GOP has cooperated with the USG to share assets. However, the GOP should formalize asset sharing arrangements, and clearly designate which agencies have authority over this process.

Poland

Poland lies directly along one of the main routes used by narcotics traffickers and organized crime groups between the former Soviet Union republics and Western Europe. According to Polish government estimates, narcotics trafficking, organized crime activity, auto theft, smuggling, extortion, counterfeiting, burglary, and other crimes generate criminal proceeds in the range of \$3 - \$5 billion each year. According to the Government of Poland (GOP), evasion of customs duties and taxes is the largest source of illegal income. Fuel smuggling, by which local companies and organized crime groups seek to avoid excise taxes by forging gasoline delivery documents, is a major source of laundered proceeds. Money laundering through trade in scrap metal and recyclable material is a growing trend, as is the increasing activity of organized crime in the financial services area (internet banking, credit cards and electronic systems for money transfers). There are a growing number of cases involving entities located in tax haven countries. It is also believed that some money laundered in Poland originates in Russia or other countries of the former Soviet Union. The GOP estimates the gray economy, used primarily for tax evasion, may exceed 15 percent of Poland's gross domestic product (GDP) for 2010. The GOP estimates the black economy comprises only one percent of GDP. Poland is not considered a regional financial center, nor is it considered a particularly important international destination for money laundering. The GOP considers the nation's banks, insurance companies, brokerage houses, and casinos to be important venues of money laundering. The Finance Ministry maintains the effectiveness of actions against money laundering involving transfer of money to tax havens is limited but improving with the increase in the number of cooperation agreements concluded with counterparts in such countries.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gambling institutions, insurance companies, the National Bank of Poland, the Polish Post, foreign legal entities carrying out brokerage activities, electronic money institutions, credit unions, notaries, foundations, auctioneers, pawnshops, dealers of high-value goods and precious metals and stones

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gambling institutions, insurance companies, the National Bank of Poland, the Polish Post, electronic money institutions, credit unions, notaries, foundations, real estate agents, lawyers, auctioneers, pawnshops, dealers of high-value goods and precious metals and stones

Number of STRs received and time frame: 15,357 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 74 from December 2009 - June 2010

Convictions: 21 from December 2009 – June 2010

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Poland is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Poland_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Over the last few years, the Government of Poland has gone to great lengths to strengthen and harmonize its anti-money laundering/counter-terrorist financing (AML/CFT) legal and regulatory tools and institutions with international standards. The creation of the autonomous offense of terrorist financing was a commendable step forward. In 2010, cooperation among relevant authorities and institutions increased. However, work remains to ensure effective implementation. Poland should ensure promulgating regulations are fully effective. The GOP should promote additional capacity building in the private sector and continue to improve communication and coordination among the FIU and relevant law

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enforcement agencies. Police and customs authorities, in particular, should receive training on recognizing money laundering and terrorist financing methodologies, including trade-based money laundering and informal value transfer systems.

Portugal

Portugal is an entry point for narcotics transiting into Europe. According to officials of the Government of Portugal (GOP), most of the money laundered in Portugal is narcotics-related. Portugal's long coastline, vast territorial waters, and close relationships with countries in Latin America and Africa make it a gateway country for Latin American cocaine and drugs coming to Europe from North Africa. Portuguese authorities have detected proceeds from smuggled commodities, particularly tobacco products, in the financial system. Authorities have also noted significant criminal proceeds from corruption, trafficking in works of art and cultural artifacts, extortion, embezzlement, tax offenses, and aiding or facilitating alien smuggling. Currency exchanges and real estate purchases are often used to launder criminal proceeds.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit institutions, and investment companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; life insurance, pension fund management, and credit securitization companies; venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; and dealers in high-value goods

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit institutions, and investment companies; life insurance, financial leasing, factoring, and mutual guarantee companies; electronic money institutions; pension fund management, credit securitization, venture capital, and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; and traders in high-value goods

Number of STRs received and time frame: 8,470 in 2010

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Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20 in 2010

Convictions: 14 in 2010

Assets forfeited: criminally: \$2,390,000 (2010) *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Portugal is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70732_43383847_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The general legal principle in Portugal is that only individuals are subject to criminal liability. The criminal code provides for criminal corporate liability for money laundering and for certain other crimes.

Portugal considered the imposition of a large currency transaction reporting requirement but opted not to establish such a program.

Qatar

Qatar has become an increasingly important Gulf banking and financial services center. Despite the growth of the banking sector and increasing options for financial services, Qatar still has a largely cash economy. Qatar has had low rates of crime, although crime rates have increased in recent years. There are several trends which make Qatar increasingly vulnerable to money laundering, including: a large number of expatriate laborers who send remittances to their home countries; the growth in trade and the financial sector's expansion; liberalization and growth in the real estate sector; uneven corporate oversight; and Iran's efforts to bypass sanctions through gulf economies.

The Government of Qatar (GOQ) signed a new AML/CFT law into force on April 30, 2010. The law criminalizes money laundering and terrorist financing in line with international standards. It also introduces a suspicious transaction reporting regime and requirements for customer due diligence and record-keeping. Revised, consistent regulations have been issued by all three of the main financial regulators in Qatar: the Qatar Central Bank, the Qatar Financial Markets Authority, and the Qatar Financial Center Regulatory Authority. All three regulators have begun to do onsite inspections to check compliance with the new law and regulations. However, significant work remains to fully implement new financial regulations, and there remain deficiencies with regard to terrorist financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and charities

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and charities

Number of STRs received and time frame: 91 in 2009; 164 January – August 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two since May 2010

Convictions: None in 2010

Assets forfeited: criminally: None in 2010 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Qatar is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF) a FATF-style regional body. Its most recent mutual evaluation can be found here:

<http://www.menafatf.org/images/UploadFiles/QatarMER1.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With the new AML/CFT law and accompanying regulations, Qatar has demonstrated its commitment to improving its AML/CFT regulatory regime. Despite the considerable efforts of Qatari authorities, some weaknesses remain. There is currently no threshold for reporting of bulk cash coming into or leaving Qatar. Additionally, trafficking in persons is not a predicate offense for money laundering. Significant work remains to implement the regulations and procedures resulting from the new law, and additional resources and training will be required to develop the necessary institutional capacity. The 2010 AML/CFT law requires financial institutions and designated non-financial businesses and professions to put in place appropriate risk management systems to determine if a customer or a beneficial owner is a politically exposed person (PEP), and if so, to obtain approval from senior management before establishing a business relationship with the customer; take all reasonable measures to establish the source of wealth and funds; and conduct ongoing monitoring of business relationships with PEPs. Each of the financial sector supervisors has issued revised regulations to financial institutions to complement the new AML/CFT Law.

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The Qatar Financial Information Unit has issued new guidelines on STR reporting obligations and, in 2010, engaged in outreach and workshops with financial institutions. Despite these efforts, the level of STR filings by banks and brokers remains largely the same in the period 2008 – 2010, and there were no STRs disseminated to the Public Prosecutor's Office (PPO) in 2010. The 2010 AML/CFT Law establishes an office for seizure and confiscation under the PPO; a department has now been established for this purpose. The Qatari authorities determined that confiscated assets would be sent to the general account of the Ministry of Finance. The AML/CFT law also establishes a framework for international cooperation, including provisions for cooperation, mutual legal assistance and extradition for ML/TF purposes. The GOQ exchanges information with the United States on a case-by-case basis.

The AML/CFT law includes a provision which authorizes the Terrorist Financing Committee, located in the Ministry of Interior, to designate by resolution those who finance terrorism, terrorists and terrorist organizations. No designations have yet been made and no terrorist financing STRs have been filed as of yearend 2010. There is a lack of procedure to implement obligations pursuant to UNSCR 1373. While the Public Prosecutor can issue an immediate order freezing the funds of any individuals or entities found on the UNSCR 1267 list, there is currently no equivalent procedure for dealing with reporting obligations under UNSCR 1373, although work is underway to address this.

Separately, under the AML/CFT law, the Governor of the Qatar Central Bank may freeze funds, balances or accounts for a period of ten business days where there is a suspicion they may be used for terrorist financing. He must then notify the PPO who may then extend the order. After conviction of a defendant for a predicate offense, ML offense or TF offense, the Court will issue an order for confiscation of the proceeds and instrumentalities of crime, and funds forming the object of the offense.

Regarding Iran-related terrorism and proliferation transactions, the Central Bank ordered financial institutions to freeze any assets of entities listed in UNSCRs 1737, 1747, and 1803, and prohibits them from carrying out any transactions with listed entities. However, Iran's Bank Saderat - an entity of concern in UNSCR 1803 - was allowed to open a second branch in Doha in June 2008. GOQ officials have communicated that no additional branches or new correspondent relations will be permitted.

Romania

Romania's geographical location makes it a natural transit country for trafficking in narcotics, arms, stolen vehicles and persons by transnational organized criminal elements. As a result, Romania is vulnerable to financial activities associated with such crimes, including money laundering. Tax fraud, fraudulent claims in consumer lending, and trans-border smuggling of counterfeit goods are additional types of financial crimes prevalent in Romania. Laundered money comes primarily from international crime syndicates who conduct their criminal activity in Romania, and subsequently launder their illicit proceeds through illegitimate front companies. Commercial transactions have been the main method of money laundering, primarily through use of shell and offshore companies; this principally involves fraudulent claims for value added tax (VAT) reimbursement.

Romania also has some of the highest rates of cybercrime and online credit card fraud in the world. Studies have found Romanian servers to be the second largest source of cybercrime transactions worldwide. Although a majority of their victims reside in the United States, Romanian cyber-criminals are increasingly targeting victims elsewhere in Europe, as well as in Romania itself. For 2010, Romania has not reported any cases of money laundering derived from drug trafficking or corruption, and only one case of money laundering where smuggling was the predicate offense.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; non-banking financial institutions; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit and law firms; notaries; and real estate brokers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; non-banking financial institutions; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit and law firms; notaries; and real estate brokers

Number of STRs received and time frame: 2,944 from January to November, 2010

Number of CTRs received and time frame: 38,269 from January to November, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 143 from January to October, 2010

Convictions: Not available

Assets forfeited: criminally: Not available civilly: Not

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Romania is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL%282008%2906Rep-ROM3_en.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Romania (GOR) should continue its efforts to ensure that non-bank financial institutions are adequately supervised. Additionally, the knowledge level of this sector should be increased regarding its reporting and record keeping responsibilities and the identification of suspicious

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transactions. Romania's FIU faces the continual challenge of limited financial, human, and technical resources. The GOR should continue to improve communication between reporting and monitoring entities, as well as between prosecutors and the FIU. Romania's FIU received training in these areas during 2010, through the European Union's Twinning program. The Twinning program produced a new on-line secure reporting system, as well as a manual on the risk-based approach and suspicious transaction indicators for reporting entities. The GOR also passed a National Strategy for the Prevention and Combat of Money Laundering and Terrorism Financing through the program.

In order to improve the rate of money laundering prosecutions and convictions, Romania should not become overly reliant on STRs and other forms of financial intelligence but rather empower law enforcement and customs authorities to detect and investigate money laundering at the street level and at borders and ports. Romania should improve implementation of existing procedures for the timely freezing, seizure, and forfeiture of criminal or terrorist-related assets. Romania should continue to make progress in combating corruption in government and commerce.

Russia

Russia is a regional financial center with a relatively small, but growing, number of depositors. The current administration aspires to establish the capital, Moscow, as an international financial center. However, money laundering (ML) and terrorist financing (TF) are prevalent in Russia, where there is a high level of organized crime and corruption. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, public corruption, and smuggling operations. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in real estate and security instruments, or use them to buy luxury consumer goods. Russia has been a repeated victim of terrorism, and some TF schemes involve the misuse of alternative remittance networks by foreign and North Caucasian terrorist groups. Despite making progress in combating financial crimes, Russia remains vulnerable to such activities. Russia's risk factors, such as the many large-scale financial transactions associated with its vast natural resources; the state's major role in the economy; the country's porous borders and its role as a geographic gateway between Europe and Asia; and chronic under-funding and lack of capacity of regulatory and law enforcement agencies, create an environment in which corruption and financial crimes flourish.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: All crimes

Legal persons covered: *criminally:* NO *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered Entities: Banks and credit institutions; Russia Post; payment acceptance and money transfer services; securities, insurance and leasing companies; investment and non-state pension funds; casinos and gambling outlets, dealers in precious metals and stones, real estate agents, and pawnshops

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and credit institutions, securities markets, investment and pension funds, Russian Post, insurance sector, leasing companies, dealers in precious metals and stones, casinos, real estate agents, lawyers, notaries, and persons providing legal or accounting services

Number of STRs received and time frame: 3,147,937 - January 1 to October 1, 2010

Number of CTRs received and time frame: 5,030,727 - January 1 to October 1, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 50 - January 1, 2010 to October 1, 2010; 208 in 2009

Convictions: 110 in 2009

Assets forfeited: *criminally:* \$9.6 million - 2009 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Russia is a member of the Financial Action Task Force (FATF). It also is a member of two FATF-style regional bodies: the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Russia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Through aggressive enactment and implementation of comprehensive anti-money laundering/combating the financing of terrorism (AML/CFT) legislation, Russia has established much of the legal and enforcement framework to deal with money laundering and terrorist financing. On July 23, 2010, Russia adopted amendments that improve legislation on AML/CFT. These amendments focus on three main areas: expanding AML/CFT coverage, clarifying legal definitions, and improving administrative oversight for enforcement of AML/CFT legislation. AML/CFT coverage has been expanded to subsidiary branches, representative offices, and affiliates of financial institutions located outside the Russian Federation. Furthermore, microfinance and short-term loans, which have grown significantly in Russia, are now subject to AML/CFT laws. In addition to expanding AML/CFT coverage, the new amendments clarify definitions critical to enforcement, such as the “beneficiary” of transactions. Other refined definitions in the July amendments include: “organization of internal control,” “conduct of internal control,” “customer,” “identification,” and “data recording.”

Amendments to the Code of Administrative Infringements improve regulatory oversight for violation of AML/CFT legislation. These amendments broaden the authority of the FIU (Rosfinmonitoring) and the Central Bank of Russia to conduct investigations of ML violations. Order 203, issued August 3 by Rosfinmonitoring, replaces Order 256 regarding the obligation to conduct staff training on AML issues. Directive 967-R sets forth requirements for all non-banking organizations concerning the development of

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ML internal control rules. The Code of Administrative Offenses now specifies five types of “ML safety” violations, instead of grouping all violations under one general offense.

It is too early to assess the impact of the 2010 amendments to the AML/CFT Law. Implementing regulations have not been issued for critical components of the new law, such as monitoring of affiliates’ operations outside the Russian Federation. Furthermore, it will take time for private sector entities to incorporate the clarified definitions into their AML/CFT practices. Reforms to the Code of Administrative Infringements do not address the full array of regulatory oversight challenges for enforcement of AML/CFT liability.

Russia takes an “all crimes” approach to money laundering predicate offenses, with the exception of six financial crimes, such as insider trading and stock market manipulation. To address these exceptions, Law 241-FZ was passed on October 30, 2009 to criminalize insider trading, stock market manipulation, and other similar crimes, but it does not take effect until 2014. Under Russian law, corporations cannot be held criminally liable; only a natural person is subject to criminal liability. Additionally, “tipping off” by bank directors and employees is not explicitly prohibited; the relevant section of the legislation only criminalizes revealing “measures taken against money laundering and terrorist financing”. Some new payment mechanisms, such as certain internet-based payment systems, are not covered by Russia’s AML/CFT controls.

Although Russia continues to establish and develop anti-corruption measures, corruption continues to be a problem. The Government of Russia should continue to aggressively pursue corruption; similarly, it should continue to pursue increased transparency in the financial sector and ensure that domestic PEPs are monitored with the same scrutiny as foreign PEPs.

Russia has successfully spread awareness of AML/CFT in its financial sector and has weeded out noncompliant financial institutions; however, significant discrepancies still remain between the standards of international and local domestic banks. Further attempts should be made to bring the AML efforts of all Russian banks to a more sophisticated level, including continued enhancement of the compliance training and certification process.

Russia hosts and funds the Secretariat of the EAG, and through this effort has contributed to improving the region’s AML/CFT capacity. Russia should continue to play a leadership role through sustained involvement in the regional and international bodies focusing on AML/CFT regime implementation.

Rwanda

Rwanda is not a major or offshore financial center. Rwanda has a cash-based economy, and a relatively unsophisticated financial system with limited use of electronic funds transfers or credit card transactions. In March 2009, Rwanda approved and published a comprehensive law on the “Prevention and Suppression of Money Laundering and Financing of Terrorism.” This law establishes the legislative framework to adhere to all relevant money laundering standards. However, this legislation is still in the process of being implemented and key action elements such as the establishment of a financial intelligence unit (FIU) are pending. In general, Rwandan financial enforcement authorities lack the training, resources and technical expertise to effectively investigate and enforce laws concerning money laundering and terrorist financing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, non-bank financial institutions and designated non-financial businesses

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and non-bank financial institutions

Number of STRs received and time frame: Two in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2010

Convictions: 0 in 2010

Assets forfeited: criminally: 0 *civilly:* 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Rwanda is not a member of a Financial Action Task Force-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Reportedly, the Central Bank distributes UN-designated lists of terrorists to bank and non-bank financial institutions; however, in practice, this is not always done thoroughly.

All foreign currency transactions in excess of \$20,000 are reported to the Central Bank.

Rwanda’s Law 48/2008 “Prevention and Suppression of Money Laundering and Financing of Terrorism” published in March 2009, establishes a comprehensive legislative framework to adhere to all relevant money laundering standards. However, this legislation is still in the process of being implemented. The Government of Rwanda has much work to do in implementing the new rules and regulations. Training and heightening the awareness of money laundering methodologies and countermeasures in relevant departments and agencies involved in border enforcement and combating financial crimes is essential.

San Marino

In the last several years, the Republic of San Marino has been aggressively combating the image of a fiscal haven, improving its anti-money laundering regime, and increasing the transparency of its financial sector. While there is no significant market for illegal or smuggled goods in San Marino, money laundering occurs to some extent in both the formal and non-bank financial systems, unrelated to narcotics trafficking. Money laundering is mainly trade-based and carried out by foreigners to avoid higher taxes in their countries. However, the country has recently adopted stricter monitoring regulations and there appears to be a decrease overall in financial crimes. There are no free trade zones in San Marino.

Since September 2009, San Marino has been included in the OECD's white list, and has signed Tax Information Exchange Agreements with over 30 countries (21 of which are OECD or EU member states).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and other financial institutions, the postal service, electronic money institutions, investment firms, insurance companies, lawyers, trust companies, accountants, auditors, gaming centers, money exchangers

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions, insurance and re-insurance companies, and natural persons or entities whose professions or business activities involve the movement of money or securities, accountants and tax advisors, real estate agents, notaries, legal professionals, gaming centers and dealers in precious stones and metals

Number of STRs received and time frame: 296 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

San Marino is a member of The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). Its most recent mutual evaluation report can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/San%20Marino_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the past, the lack of appropriate legislation and resources to enforce AML regulations made San Marino vulnerable to money laundering, especially from tax evasion and fraudulent financial activities such as false invoicing. In recent years, however, the country has made substantial improvements to meet international financial standards.

On July 20, 2010, San Marino became a party to the UN Convention against Transnational Organized Crime.

San Marino should continue to improve personnel training and increase resources with a view to fully implementing its laws and regulations. San Marino should become a party to the UN Convention against Corruption.

Saudi Arabia

The Kingdom of Saudi Arabia (KSA) is a growing financial center in the Gulf Region. Money laundering and terrorist financing are known to originate from Saudi criminal enterprises, private individuals, and Saudi-based charities. Based on media reports and discussions with Saudi officials, there is no indication of significant narcotics-related money laundering. Saudi bulk cash smuggling from individual donors and charities has reportedly been a major source of financing to extremist and terrorist groups over the past 25 years. With the advent of tighter bank regulations, funds are reportedly collected and illicitly transferred in cash, often via pilgrims performing Hajj and Umrah. Despite serious and effective efforts to counter the funding of terrorism originating from within its borders, entities in Saudi Arabia continue to serve as an important source of cash flowing to Sunni-based extremist groups. Saudi officials acknowledge difficulty in following the money trail with regard to illicit finance due to the preference for cash transactions in the country. The government does not regularly publish official criminal statistics.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: banks, money exchangers, real estate agents, dealers in precious metals and stones, lawyers and accountants

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: banks, insurance companies, exchange companies and institutions, investment and insurance companies, commercial companies, sole proprietorships, vocational activities

Number of STRs received and time frame: 2,968 (2004 – 2008)

Number of CTRs received and time frame: Not publically available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 237 (2004 – 2008)

Convictions: 162 (2004 – 2008)

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

The Kingdom of Saudi Arabia is a member of the Middle East & North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/47/59/45727237.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money service businesses operating outside of banks and licensed money changers are illegal in Saudi Arabia. To help counteract the appeal of these types of unlicensed money services particularly to many of the approximately eight million expatriates living in Saudi Arabia, Saudi banks have taken the initiative to create fast, efficient, high quality, and cost-effective fund transfer systems that have proven capable of attracting customers accustomed to using other non-sanctioned methods.

Saudi Arabia's Council of Senior Scholars (the Kingdom's highest judicial body and equivalent to the U.S. Supreme Court) issued an edict (fatwa) specifically defining acts of terrorism, specifying that committing such acts were illegal both in Muslim and non-Muslim countries, and declaring that financing terrorism, knowingly or unknowingly, was illegal and punishable under Islamic law. Fatwas from the Council of Senior Scholars constitute the most definitive interpretations of Shariah. Nevertheless, Saudi Arabia should enact a full statutory criminalization of terrorist financing and structure it as separate from the money laundering offense to clearly distinguish the money laundering and terrorist financing offenses.

Wide-sweeping counter-terrorism operations and resulting arrests over the past 12 months have demonstrated Saudi Arabia's ability to effectively disrupt planning and financing within the Kingdom. Contributions to charities are subject to strict guidelines, including that they must be in Saudi riyals; adhere to enhanced identification requirements; and payments may be made only by checks payable to the first beneficiary, which then must be deposited in a Saudi bank. Regulations also forbid charities from using ATMs and credit cards for charitable purposes, from making cash contributions, and from making money transfers outside of Saudi Arabia.

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Saudi Arabia's capacity to monitor compliance with and enforce its banking rules has improved and helped to stem the flow of illicit funds through Saudi financial institutions. The Saudis' ability to stop bulk cash smuggling has also improved. However, cash illicitly collected and transferred via pilgrims on Hajj or Umrah continues to flow. Underground remittance systems such as hawala are also present in Saudi Arabia. The Kingdom should become a party to the UN Convention against Corruption.

Senegal

A regional financial center with a largely cash-based economy, Senegal is vulnerable to money laundering. Reportedly, most money laundering involves domestically generated proceeds from corruption and embezzlement. Also of concern are organized crime figures that launder and invest their personal and their organizations' proceeds from the growing West Africa narcotics trade. There is also evidence of increasing criminal activity by foreigners, such as narcotics trafficking by Latin American groups and trafficking in persons involving Pakistanis.

Dakar's active real estate market is largely financed by cash. Property ownership and transfer are not transparent. The continued building boom and high property prices suggest there is an increasing amount of funds with uncertain origin circulating in Senegal. The growing presence of hawala and other informal cash transfer networks and the increasing numbers of used imported vehicles suggest the existence of both value transfer via trade goods and illicit cash couriers. Trade-based money laundering (TBML) is centered in the region of Touba, a largely autonomous and unregulated free trade zone under the jurisdiction of the Mouride religious authority. Touba reportedly receives between \$550 and \$800 million per year in funds repatriated by networks of Senegalese traders and vendors abroad. Other areas of concern include the transportation of cash, gold and gems through Senegal's airport and across its porous borders.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high value goods such as art objects, precious stones, and metals; transporters of funds; casinos and gambling establishments, including state lotteries; travel agencies; non-governmental organizations, the Public Treasury

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high value goods such as art objects, precious stones, and metals; transporters of funds; casinos and gambling establishments, including state lotteries; travel agencies; non-governmental organizations

Number of STRs received and time frame: 71 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine in 2009

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Senegal is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation is available here: <http://www.giaba.org/index.php?type=c&id=37&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Senegal (GOS) should continue to work with its partners in GIABA, the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS) to develop comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime. Senegal should continue to battle corruption and increase the frequency, transparency, and effectiveness of financial reviews and audits of financial institutions. Senegal should establish better uniform control of the cross-border flow of currency and other bearer-negotiable instruments for both residents and nonresidents. Senegalese law enforcement and customs authorities need to develop their expertise in identifying and investigating both traditional money laundering and money laundering within the informal economy as well as value transfer via trade goods. The Senegalese financial intelligence unit – CENTIF – should perform more outreach to obligated non-bank financial institutions to ensure a better understanding of the content and filing requirements for STRs. CENTIF, law enforcement, and Ministry of Justice authorities should work together to coordinate roles and responsibilities with regard to case investigation and assembly, and develop a deeper interagency understanding of money laundering and terrorist financing.

Serbia

Serbia is not considered a regional financial center. However, Serbia is situated on a major trade corridor known as the “Balkan route,” and commonly confronts narcotics trafficking; smuggling of persons, weapons and pirated goods; money laundering; and other criminal activities. While the bulk of narcotics seizures are of heroin, the Government of Serbia (GOS) advises that trafficking of cocaine originating in South American is on the rise and is expected to increase as organized crime groups restructure their operations. Corruption and organized crime also continue to be significant problems in Serbia.

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Serbia has long been and continues to be a black market for smuggled goods. Illegal proceeds are generated from drug trafficking, corruption, tax evasion and organized crime, as well as other types of crimes. Proceeds from illegal activities are invested in all forms of real estate and, increasingly, into sports, particularly football (soccer) club operations. Some gray money flows to Cyprus, reportedly as payment for goods and services. GOS officials, however, believe these monetary flows have become less significant over the past few years. Banks in Macedonia, Hungary, Switzerland, Austria and China have emerged as destinations for laundered funds. Trade-based transactions, in the form of over- and under-invoicing, are a commonly used method for laundering money. There are reports that purchases of some private and state-owned companies have been linked to money laundering activities.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTION RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY, CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S., OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.? NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring and forfeiting; guarantors; and lawyers

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring and forfeiting; guarantors; and lawyers

Number of STRs received and time frame: 3,854 from January 1 to October 29, 2010

Number of CTRs received and time frame: 165,669 from January 1 to October 29, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 19, 2002 - 2010

Convictions: 13 convictions against 15 persons, of which six are final convictions against seven persons, 2002 - 2010

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Serbia is a member of MONEYVAL, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Serbia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Serbia has no law that establishes procedures for administrative freezing of assets. A Law on Restrictive Measures that will authorize use of this procedure is in the drafting stage at the Ministry of Foreign Affairs.

The GOS maintains bilateral agreements on mutual legal assistance with 31 countries, but not the United States. The FIU has signed information sharing agreements with 15 countries, and anticipates signing two more by the end of 2010.

The Government of Serbia (GOS) has taken a number of steps to improve its anti-money laundering/counter-terrorist financing (AML/CFT) regime in recent years. Regarding criminalization of terrorist financing, Serbia should insure that the terrorist financing offense is not linked to a specific terrorist act. Additionally, Serbia's terrorist financing offense should include the entire range of activities listed in the annex to the Terrorist Financing Convention.

Serbia should continue to pursue measures to improve supervision of securities firms and other DNFBPs and to provide these institutions with sufficient guidance to ensure they understand and are able to comply with their responsibilities under the law. The GOS should adopt regulations and bylaws to help money service businesses and DNFBPs understand and implement all applicable requirements. The National Bank of Serbia and other supervisory bodies, as well as investigative agencies, the FIU, prosecutors, and judges require additional resources, in particular for building their professional capabilities. Law enforcement and prosecutors also need to make increased use of criminal money-laundering charges.

Seychelles

Seychelles is not a major financial center. The Seychellois authorities consider drug trafficking, parallel market operations, theft and fraud as the major sources of illegal proceeds. Seychelles has been negatively affected by piracy off the coast of Somalia.

Seychelles is a consumer country for narcotics. To diversify its economy beyond tourism and fisheries, the Government of Seychelles (GOS) developed an offshore financial sector to increase foreign exchange earnings, and actively markets itself as an offshore financial and business center that allows the registration of nonresident business companies. These activities make the country vulnerable to money laundering. In its 2007-2017 Strategic Plan, the GOS proposes to facilitate the further development of the financial services sector through active promotion of Seychelles as an offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies, and insurance companies. The Foundations Act, passed in December 2009, provides for the establishment and operation of private foundations to add to Seychelles' offshore product offerings. The Seychelles International

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Business Authority, which regulates the offshore financial sector, provides training in such areas as company and trust administration, international tax planning, compliance and anti-money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks (both domestic and offshore), credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, and dealers in precious metals and stones

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks (both domestic and offshore), credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, and dealers in precious metals and precious stones

Number of STRs received and time frame: 29 from January 1 to November 30, 2010

Number of CTRs received and time frame: 0

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: 0 *civilly:* Approximately \$110,000 - January 1 to November 30, 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

The Government of Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent evaluation can be found here: http://www.esaamlg.org/reports/view_me.php?id=189

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Seychelles (GOS) should work to improve the implementation of its AML/CFT framework, including the analysis of STRs and the pursuit of investigations and prosecutions for money

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laundering and terrorist financing. Seychelles should continue to work with its FIU to ensure it has the training and resources needed for outreach, analysis and dissemination. The GOS should expand its anti-money laundering efforts by prohibiting bearer shares, anonymous accounts and accounts in fictitious names, and clarifying its law regarding the complete identification of beneficial owners. Additionally, it should mandate enhanced due diligence procedures for politically exposed persons. The GOS also should amend its AML laws to state explicitly that all offshore activity is regulated in the same manner and to the same degree as onshore. The GOS should also consider codifying the ability to freeze assets rather than issuing restraining orders, and develop a cross-border currency reporting requirement.

Sierra Leone

Sierra Leone has a cash-based economy and is not a regional financial center. Money laundering activities are pervasive in the diamond sector. Despite tighter regulation, monitoring, and enforcement, in some areas significant diamond smuggling and the laundering of diamonds still exists. Drug smuggling is also a problem in Sierra Leone. Real estate and car dealerships also are vulnerable to money laundering activities. Loose oversight of financial institutions, weak regulations, pervasive corruption, porous borders, and a widespread informal money exchange and remittance system contribute to an atmosphere conducive to money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; financial leasing firms; money and currency changers; credit card, travelers check and other financial instrument issuers; investment companies, insurance, merchant and investment banks, and securities and commodities dealers

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; financial leasing firms; money and currency changers; credit card, travelers check and other financial instrument issuers; investment companies, insurance, merchant and investment banks, and securities and commodities dealers

Number of STRs received and time frame: Five from January – November 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Sierra Leone is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=50&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Anti-money laundering activities are covered by the Anti-Money Laundering Act of 2005 (AMLA), as well as guidelines issued by the Bank of Sierra Leone's Financial Intelligence Unit (FIU) that significantly enhance the AMLA's provisions and carry legal weight. These guidelines have been incorporated into the draft of a new Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) bill that has been approved by the Cabinet and is expected to be passed by Parliament and enacted into law in early 2011.

Although the Government of Sierra Leone (GOSL) has enacted anti-money laundering legislation, the GOSL needs to take action to ensure its AML regime is effectively implemented. The FIU lacks the capacity to effectively monitor, regulate, analyze and disseminate financial intelligence. The AMLA charges the Transnational Organised Crime Unit (TOCU) and the Attorney General's Office with investigating reports made by the FIU. TOCU is authorized to undertake complete investigations and effect arrests. The Attorney General's Office has limited mandate to investigate and arrest. The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes; the Anti-Corruption Commission is attempting to create a financial forensics capacity in the near future. Limited resources hamper law enforcement efforts in all arenas. Lack of training in financial crimes is also a hindrance to successful investigations and prosecutions. The GOSL should continue its efforts to counter the smuggling of diamonds and narcotics, and regulate sectors which are vulnerable to money laundering. Sierra Leone should continue to take steps to combat corruption at all levels of commerce and government. The GOSL should ratify the UN Convention against Transnational Organized Crime.

Singapore

Singapore is a significant international financial and investment center as well as a major offshore financial center. The structural gaps in Singapore's financial regulations make it vulnerable to money launderers, and its financial crimes enforcement should be strengthened. Stringent bank secrecy laws and the lack of routine currency reporting requirements make Singapore a potentially attractive destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations and their supporters seeking to launder money or fund terrorist activities. Authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Terrorist financing in general remains a risk.

As of December 2009, there were 38 offshore banks in operation, all foreign-owned. Singapore has increasingly become a center for offshore private banking and asset management. Total assets under management in Singapore increased 40 percent in 2009 to S\$1.2 trillion (approximately \$861 billion). Singapore does not permit shell banks.

Singapore has eight free trade zones (FTZs), six for seaborne cargo and two for airfreight, regulated under the Free Trade Zone Act. The FTZs may be used for storage, repackaging of import and export cargo, assembly and other manufacturing activities approved by the Director General of Customs in conjunction with the Ministry of Finance.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, financial institutions, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, auditors, financial advisors, capital market service licensees and exempt persons, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents and money changers and remitters

Number of STRs received and time frame: 11,004 in 2009

Number of CTRs received and time frame: No information available. Reporting began in 2010.

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 23 in 2008

Convictions: 24 in 2008

Assets forfeited: criminally: \$10,962,377 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

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Singapore is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/36/42/40453164.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Singapore's rigid bank secrecy is sometimes an impediment to effective international cooperation in financial crimes enforcement. Less rigid bank secrecy restrictions would enhance Singapore's law enforcement cooperation in areas such as information sharing and conformance to international standards and best practices.

Singapore's legal system generally provides for the investigation and prosecution of money laundering offenses. However, the implementation of these laws is uneven, particularly in prosecuting money laundering as a stand-alone offense, and investigating foreign-sourced cases. Singaporean police are fairly successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate. Singapore should more aggressively pursue domestic stand-alone money laundering offenses as well.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office (STRO) and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses, and use stand-alone money laundering charges to prosecute third-party offenders in Singapore.

Slovak Republic

Slovakia's geographic, economic, and legal environments with respect to money laundering are not atypical of a changing Central European economy. Its geographic location makes it a transit and destination country for trafficking in drugs, people and counterfeit goods, especially along the 100 km border with Ukraine. The statistics on money laundering cases investigated by Slovak law enforcement authorities indicate the most frequent predicate offenses for money laundering are financial crimes and crimes against property. There is significant cross-border auto theft and value-added tax (VAT) fraud; and smuggling of cigarettes and alcohol because of the tax disparity between Ukraine and Slovakia. Banks (mostly Slovak subsidiaries of foreign banks) remain the most frequently used financial institutions for money laundering. Criminal activity, including money laundering is characterized by a high level of organized crime.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES: YES

Covered entities: Financial institutions, the Export-Import Bank of the Slovak Republic, credit institutions; insurance companies, pension asset management companies, foreign currency exchanges, gambling/gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, corporations (foundations, non-profit organizations, non-investment fund or other special corporations managing and distributing funds)

Enhanced due diligence procedures for PEPs: Foreign: YES **Domestic:** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions, the Export-Import Bank of the Slovak Republic, credit institutions; insurance companies, pension asset management companies, foreign currency exchanges, gambling/gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, corporations (foundations, non-profit organizations, non-investment fund or other special corporations managing and distributing funds)

Number of STRs received and time frame: 2,470 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 35 through the end of 2010

Convictions: Six through the end of 2010

Assets forfeited: **criminally:** None **civilly:** None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The Slovak Republic is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here:

www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovakia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Amendments to the Penal Code (Act No. 300/2005 Coll.) and Code of Criminal Procedure (Act No. 301/2005 Coll.) of 2010 include the introduction of the autonomous criminal offense of terrorist financing and corporate liability.

In 2010, Act No. 101/2010 Coll. on the Proof of Origin of Property was introduced and approved, effective January 1, 2011. This law introduces the tool of non-conviction based confiscation within civil procedures, and stipulates conditions and procedures for public authorities in forfeiture of property.

Slovakia should also provide capacity enhancing materials to non-financial businesses and professions and improve supervision of these entities to ensure they meet their obligations.

Slovenia

Slovenia is neither a regional financial center nor a major drug producer, but is a transit country for drugs moving via the Balkan route to Western Europe. The Government of Slovenia (GOS) is aware that Slovenia's geographic position makes it an attractive potential transit country for drug smugglers, and it continues to pursue active counternarcotics policies. Other predicate offenses of concern include business and tax fraud.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, lawyers, money changers, notaries, gaming centers, securities dealers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, agricultural credit institutions, lawyers, money changers, notaries, gaming centers, securities dealers

Number of STRs received and time frame: 184 during 2010

Number of CTRs received and time frame: 220 during 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 35 -- January-June 2010

Convictions: Two -- January-June 2010

Assets forfeited: criminally: 1.5 million euros (approximately \$1.92 million) – time frame not available *civilly:* 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

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Slovenia is a member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are no major deficiencies in key preventive standards. Weak supervision and lack of guidance to certain non-banking sectors have an impact on the effectiveness of the Government of Slovenia's (GOS) anti-money laundering/counter-terrorist financing (AML/CFT) regime.

The GOS should continue to enhance its AML/CFT legislation and procedures as appropriate. The GOS should immobilize company bearer shares. Despite prohibiting the establishment of new anonymous accounts, Slovenia has not taken action against the 3,000 anonymous bank accounts in existence. The GOS should convert these anonymous accounts, given the risk they pose to Slovenia's AML/CFT regime.

Solomon Islands

The Solomon Islands is not a regional financial or offshore center, and there are no free trade zones. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. While the overall risk of money laundering and terrorist financing is very low because of the jurisdiction's isolated geographic location, very small community (which precludes anonymity), unsophisticated financial and commercial sectors, and a strict foreign exchange regime, the Solomon Islands' financial system is nonetheless highly vulnerable to abuse due to a severe lack of capacity and oversight coupled with a weak culture of compliance.

High-level public corruption is the main source of illicit proceeds, primarily involving tax crime, customs fraud, and extractive industries (illegal logging, fishing and mining). Money laundering is relatively unsophisticated. Reportedly, most illicit proceeds tend to stay within the jurisdiction and are converted into high-value consumer goods (e.g., cars and electronics). The small proportion of cross-border money laundering tends to involve small, high volume transactions, although larger corruption payments are sometimes also placed in offshore bank accounts.

The Solomon Islands has a low threat of both international and domestic terrorism and terrorist financing. However, officials are evaluating domestic terrorist financing risks in light of violent ethnic conflict in 2000 and rioting in April 2006. Authorities note that many of the participants' actions in these events would now be considered terrorism offenses under the Counter-Terrorism Act of 2009.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit or lending services, currency exchangers, remittance services, insurers and insurance intermediaries, securities dealers, futures brokers, and trustees and managers of unit trusts

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit or lending services, currency exchangers, remittance services, insurers and insurance intermediaries, securities dealers, futures brokers, and trustees and managers of unit trusts

Number of STRs received and time frame: 67 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2010

Convictions: Four in 2010

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Solomon Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here: http://www.apgml.org/documents/docs/17/SOLOMON%20ISLANDS%20DAR_FINAL.pdf.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Solomon Islands (GOSI) criminalizes money laundering and terrorist financing in a manner closely consistent with international standards, but enforcement is weak, largely because of a lack of financial investigation skills, training, resources, and clear enabling legislation.

Law enforcement authorities have extensive powers to confiscate proceeds and terrorist property and to provide mutual legal assistance, and Solomon Islands authorities are highly responsive to requests for assistance from other governments. However, the Solomon Islands does not yet have a freezing mechanism to implement UNSCRs 1267 and 1373. While the jurisdiction has imposed obligations on banks and other non-financial institutions to adopt some preventative AML/CFT measures, these obligations fall short of the requirements of international standards (especially on beneficial ownership and PEPs). Implementation and enforcement of preventive measures is negligible, due to severe capacity and resource constraints and lack of sanctioning powers. The GOSI should continue its work to implement AML/CFT requirements that conform to international standards. The Solomon Islands should become a party to the UN Convention against Transnational Organized Crime, the UN Convention against Corruption, and the 1988 UN Drug Convention, and should establish an effective regime to freeze terrorist assets.

High level corruption is a significant threat in the Solomon Islands. The problem is compounded because the weak culture of compliance often results in the failure to maintain and monitor records, and a

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disregard for any legal or regulatory regime. While some corrupt acts are limited to the exchange of benefits or nepotism and do not generate illicit proceeds, GOSI officials report the government has lost millions of dollars through corrupt government employees and has no ability to recover overpayments or enforce revenue collection.

Environmental crimes are increasing, and governmental authorities report losses in the range of hundreds of millions of dollars. There are growing concerns about the intersection of transnational crime and growing problems with wildlife smuggling and counterfeit currency, both of which may be used to finance illegal logging operations.

The Solomon Islands currently lacks a currency transaction reporting (CTR) regime, though draft legislation is being circulated. The GOSI should make passage and implementation of the CTR bill a priority.

Somalia

There is no recognized central government of Somalia. The Transitional Federal Government (TFG) controls only portions of the country's capital and remote pockets of some regions. The TFG is besieged by an insurgency that is led by international terrorist organization al-Shabaab. Many ministries exist in name only, or have non-functioning, mostly unpaid staff. There is no court system to speak of, and policing is rudimentary. The laws that exist - anti-money laundering (AML), counter-terror financing (CFT), or otherwise - are effectively unenforced given the security threats in Somalia and lack of capacity. Corruption is rampant. The financial system in Somalia operates almost completely outside of any system of oversight, either on the black market or via international money transfer companies/hawalas.

Due to its lack of a public regulatory system and its inaccessibility to international diplomats and law enforcement, little is known about money laundering in Somalia. No information is available on drug-related currency transactions channeling through Somali financial institutions. Because Somalia's narcotics trade is centered on khat, a controlled substance in much of the world but legal in Somalia, the proceeds are not illegal. Thus, it is not likely that khat money is laundered in Somalia. Most khat proceeds go back to khat transporters based outside Somalia in cash or via money transfer companies.

Pirates mostly launder their ransoms in northern Somalia, as well as perhaps in neighboring countries, the Middle East, or Europe. The ransoms are delivered through cash drops to pirates holding ships off Somalia's coast and divided among the pirates and those in their support networks. Officials in Somalia's northern region of Puntland reportedly benefit from pirate ransoms. They may facilitate ransom laundering or the transfer of ransom money to neighboring countries or globally. In this manner, public corruption significantly facilitates money laundering. Much of the ransom reportedly remains in cash. Anecdotal reports indicate that ransom money finances real estate, luxury goods, and businesses.

Smuggling is rampant. Somalia has one of the longest land borders and the longest coastline in Africa. The TFG and local officials control almost none of its borders, and goods flow into and out of Somalia with no TFG knowledge. There are occasional but unverified reports of U.S. dollar counterfeiting in al-Shabaab-controlled areas.

Somalia is a center for terrorism financing. Al-Shabaab is headquartered here and financed by contributions from terrorist financiers outside the region, including from the global Somali diaspora and business community. Some of the funds enter Somalia as cash, but a significant portion likely passes through hawalas. Al-Shabaab operations are also financed through extortion of private citizens and local

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businesses, revenue from seaports under their control, and to an unknown extent by diversion of humanitarian and development assistance.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not applicable

Legal persons covered: criminally: NO *civily:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: None

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: None

Number of STRs received and time frame: Not Applicable

Number of CTRs received and time frame: Not Applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: 0 *civily:* 0

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Somalia is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Somalia has been without a functioning central government since 1991. There are no AML/CFT laws, and the financial regulations that do exist go unenforced given the lack of policing and investigative capacity and Somalia's insecurity. International standards, to the extent they are recognized, are self imposed in Somalia by hawalas and other financial entities that must meet international rules and regulations to do business elsewhere in the world. The lack of laws, regulatory bodies, and enforcement

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mechanisms to counter money laundering and financial crimes is likely due to a lack of capacity, and not a lack of political will. Obstacles to enacting AML/CFT laws include the TFG's lack of territorial control, threats to the government by the al-Shabaab insurgency, and lack of capacity and resources at all levels of government.

There were no arrests for money laundering in 2010. There was one interdiction of a suspected terrorist financier's couriering cash illegally into Somalia. However, interdictions such as this often result in an arrest, followed by indefinite detentions or releases given Somalia's inadequate judicial system. In one case, incoming counterfeit U.S. dollars were seized at Mogadishu International Airport. It is not clear what happened to the perpetrator.

There are no government entities charged with, or capable of tracking, seizing, or freezing illegal assets or terrorist funds. Somalia has no laws requiring forfeiture of laundered assets or of terrorist finances, and laws that could lend themselves to AML/CFT are not enforced.

The TFG has called on regional governments to help stem the flow of terrorist financing, including requesting that local governments trace, freeze, and seize funds and finances related to and supporting al-Shabaab. Somalia has cooperated with USG law enforcement on numerous occasions, most recently investigations concerning suspected terrorists and kidnapping, piracy and acts of terror committed inside and outside Somalia, but there has been no known assistance with regard to investigations involving financial crimes.

South Africa

South Africa's position as the major financial center in the region, its relatively sophisticated banking and financial sector, and its large, cash-based market make it vulnerable to exploitation by transnational and domestic crime syndicates. The largest source of laundered funds in the country is proceeds from the narcotics trade. Fraud, theft, racketeering, corruption, currency speculation, poaching, theft of precious metals and minerals, small arms, human trafficking, stolen cars, and smuggling are also sources of laundered funds. Many criminal organizations are also involved in legitimate business operations. There is a significant black market for smuggled and stolen goods. In addition to criminal activity by South African nationals, observers note criminal activity by Nigerian, Pakistani, Andean and Indian drug traffickers, Chinese triads, Taiwanese groups, Lebanese trading syndicates, and the Russian mafia. There are few successful investigations and prosecutions.

South Africa is not an offshore financial center, nor does it have free trade zones. South Africa does operate Industrial Development Zones (IDZs). Imports and exports related to manufacturing or processing in the zones are duty free, provided that the finished product is exported. IDZs are located in Port Elizabeth, East London, Richards Bay, and Johannesburg International Airport. The South African Revenue Service monitors the customs control of these zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders, entities that issue travelers checks, real estate agents, gambling institutions, gold dealers, attorneys, second hand car dealers, entities/people registered with the Johannesburg Stock Exchange, and money lenders

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders, entities that issue travelers checks, real estate agents, gambling institutions, gold dealers, attorneys, second hand car dealers, entities/people registered with the Johannesburg Stock Exchange, and money lenders

Number of STRs received and time frame: 29,411 - April 2009 through March 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

South Africa is a member of the Financial Action Task Force (FATF) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70915_43383847_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

South Africa's anti-money laundering regime has solid legislative backing, and generally imposes an affirmative responsibility upon financial institutions, businesses, and individuals to report suspicious transactions. However, while South Africa's banking system is among the world's most sophisticated, its relationship to the South African economy as a whole remains problematic for anti-money laundering purposes. There are gaps in enforcement of the reporting requirements, due in part to South Africa's large informal economy and cash-oriented market. Law enforcement capacity is also considered to be lacking.

While money laundering is a specific offense under the South African penal code, it is not often charged as a stand-alone offense. Instead, prosecutors typically include money laundering as a secondary charge

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in conjunction with other offenses. Accordingly, South Africa does not generally keep separate statistics for money laundering-related prosecutions, convictions, or forfeited assets.

Spain

Spain is a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe. Drug proceeds from other regions enter Spain as well, particularly proceeds from Afghan hashish from Morocco, cocaine entering Latin America, and, in significantly lower volume, heroin from Turkey and the Netherlands. Tax evasion in internal markets and the smuggling of goods along the coastline also continue to be sources of illicit funds in Spain. The smuggling of electronics and tobacco from Gibraltar remains an ongoing problem. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Colombian cartels allegedly use proceeds from drug sales in Spain to purchase goods in Asia that are subsequently sold legally in Colombia or at stores run by drug cartels in Europe. Credit card balances are paid in Spanish banks for charges made in Latin America, and money deposited in Spanish banks is withdrawn in Colombia through ATM networks.

An unknown percentage of drug trafficking proceeds are invested in Spanish real estate, particularly in the once-booming coastal areas in the south and east of the country, though less so since the speculative real estate bubble burst in 2008. Up to twenty percent of the 500 euro notes in use in Europe were reported to be in circulation in Spain during 2009, directly linked to the purchase of real estate to launder money. Efforts by Spain's tax authority to deter fraudulent activity involving these large bank notes have kept the number of 500 euro notes at October 2008 levels (around 110 million notes).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on terrorism, which can be found at <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

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Covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

Number of STRs received and time frame: 2,904 in 2008 (most recent available figures)

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Spain is a member of the Financial Action Task Force (FATF) and a cooperating and supporting nation to the Caribbean Financial Action Task Force, a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/52/3/37172019.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Spain has long been dedicated to fighting terrorist organizations, including ETA, GRAPO, and more recently, al-Qaida. Spanish law enforcement entities have identified several methods of terrorist financing: donations to finance nonprofit organizations (including ETA and Islamic groups); establishment of publishing companies that print and distribute books or periodicals for the purposes of propaganda, which then serve as a means for depositing funds obtained through kidnapping or extortion; fraudulent tax and financial assistance collections; the establishment of “cultural associations” used to facilitate the opening of accounts and provide a cover for terrorist financing activity; and alternative remittance system transfers.

Spanish authorities recognize the presence of alternative remittance systems. Informal non-bank outlets such as “*locutorios*” (communication centers that often offer wire transfer services) are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Islamic community.

On April 29, 2010, Spain enacted Law 10/2010, on preventing money laundering and terrorist financing. The new law incorporates and enhances Law 19/1993 on preventing money laundering, and supersedes Law 12/2003, on preventing terrorist financing, which was never fully implemented. Law 10/2010 introduces a risk-based approach to preventing money laundering and terrorist financing and imposes stringent requirements on financial institutions as well as designated non-financial businesses and professionals (DNFBP). Additionally, implementation of Law 10/2010 will greatly enhance authorities’ capacity to combat terrorist financing by placing greater requirements, with stiffer penalties for non-compliance, on financial institutions and other businesses, and by strengthening monitoring and oversight. The new law entered into force immediately; however, implementing regulations will not be approved until 2011; until then, many of its provisions are not being implemented.

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The Government of Spain should clarify whether its laws allow civil forfeiture. Spain should maintain and disseminate statistics on investigations, prosecutions, and civil asset forfeiture. More generally, the government needs to review the resources available for industry supervision and ensure that the FIU has the independence and resources it needs to effectively discharge its responsibilities.

Sri Lanka

Sri Lanka is neither a regional financial center nor a preferred center for money laundering. However, a large informal economy and significant number of cash-based transactions make Sri Lanka vulnerable to money laundering, and the government's lack of a transparent tender mechanism for government projects invites corruption. Terrorists in Sri Lanka have exploited non-governmental and charitable organizations, and have used community building projects to conceal the proceeds of crime.

Sri Lanka is not an offshore center and has no free trade zones.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, registered finance companies, insurance companies, securities industry, casinos, real estate agents, dealers in precious metals and stones, lawyers, trusts and company service providers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS (STRs):

Covered entities: Licensed commercial banks, licensed specialized banks, registered finance companies, stock brokerages, and insurance companies

Number of STRs received and time frame: 111 in 2009

Number of CTRs received and time frame: 1.6 million in 2009

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With the U.S.: NO

With other governments/jurisdictions: YES

Sri Lanka is a member of Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Sri%20Lanka%20MER%20-%20Final%2010August06.pdf> .

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In February 2010, the Government of Sri Lanka provided a high-level written commitment and developed an action plan to address strategic deficiencies in its AML/CFT regime. As part of its AML/CFT efforts, Sri Lanka should strengthen the criminalization of money laundering and terrorist financing, and establish and implement procedures to identify and freeze terrorist assets. Sri Lanka should also enact disclosure protections, and criminalize tipping off in AML/CFT cases.

Efforts are underway to amend the AML/CFT laws to address technical and substantive deficiencies in the legal framework and strengthen the authority of the FIU and law enforcement authorities engaged in AML/CFT detection and suppression. The new legislative package will include a draft law to strengthen forfeiture provisions relating to the proceeds of crime or funds related to the financing of terror. Sri Lanka should focus on passing these laws, which has not been a governmental priority.

Although AML/CFT laws cover non-financial entities such as casinos, real estate agents, dealers in precious metals and stones, lawyers, and trusts or company service providers, no regulator has issued KYC or currency transaction reporting (CTR) policies covering these institutions. Sri Lanka should draft and implement KYC and CTR policies to cover these entities.

St. Kitts and Nevis

St. Kitts and Nevis is a federation composed of two islands in the Eastern Caribbean. The federation is at major risk for corruption and money laundering due to the high volume of narcotics trafficking activity through and around the island, and the presence of known traffickers on the islands. The growth of its offshore sector and an inadequately regulated economic citizenship program further contribute to the federation's money laundering vulnerabilities.

St. Kitts uses the East Caribbean dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). The ECCB has direct responsibility for regulating and supervising the offshore banks in Nevis, as it does for the entire domestic sector of St. Kitts and Nevis, and for making recommendations regarding approval of offshore banking licenses. By law, all offshore banking licensees are required to have a physical presence in the federation; shell banks are not permitted. Seven other island economies are also members of the ECCB: Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Lucia, and St Vincent and the Grenadines. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

As a federation, there is anti-money laundering (AML), counter-terrorist financing (CFT), and offshore legislation governing both St. Kitts and Nevis. However, each island has the authority to organize its own financial structure. With most of the offshore financial activity concentrated in Nevis, it has independently developed its own offshore legislation. St. Kitts had licensed approximately 36 corporate service providers, three trust providers, 116 captive insurance companies and over 2100 companies and

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foundations. By contrast, Nevis had over 11,000 international business companies, 4,200 limited liability companies, over 1,000 trusts and over 110 insurance companies.

The Ministry of Finance oversees St. Kitts and Nevis' Citizenship by Investment Program. An individual may qualify for citizenship with a \$350,000 minimum investment in real estate. In addition, the Government of St. Kitts and Nevis (GOSKN) created the Sugar Industry Diversification Foundation (SIDF), after the closure of the federation's sugar industry, as a special approved project for the purposes of citizenship by investment. To be eligible, an applicant must make a contribution ranging from \$200,000 to \$400,000 (based on the number of the applicant's dependents). The GOSKN requires applicants to make a source of funds declaration and provide evidence supporting the declaration. According to the GOSKN, the Ministry of Finance has established a Citizenship Processing Unit to manage the screening and application process.

Bearer shares are permitted provided that bearer share certificates are retained in the safe custody of authorized persons or financial institutions authorized by the Minister of Finance. Legislation requires certain identifying information to be maintained about bearer certificates, including the name and address of the bearer as well as the certificate's beneficial owner. All authorized custodians are required by law to obtain proper documents on shareholders or beneficial owners before incorporating exempt or other offshore companies. This information is not publicly available but is available to the regulator and other authorized persons.

The St. Kitts and Nevis Gaming Board is responsible for ensuring compliance by casinos. Internet gaming entities must apply for a license as an IBC.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, money exchangers, insurance companies, auditors, accountants, notaries, gaming centers, pawn shops, issuers of payment cards and traveler's checks, auto dealers, real estate brokers/agents, trustees, dealers of precious metals and stones, non-profit organizations, and securities dealers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, agricultural credit institutions, money exchangers, insurance companies, auditors, accountants, notaries, gaming centers, pawn shops, issuers of payment cards and traveler's

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checks, auto dealers, real estate brokers/agents, trustees, dealers of precious metals and stones, non-profit organizations, and securities dealers

Number of STRs received and time frame: 217, January to September 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: **criminally:** None **civilly:** Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

St. Kitts and Nevis is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/St.Kitts_Nevis_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/St.Kitts_Nevis_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government has been slow to respond to requests for mutual legal assistance due to a lack of staff.

Bank secrecy laws, the allowance of anonymous accounts, the lack of transparency of beneficial ownership of legal entities, and weak regulatory framework concerning customer due diligence and cases of cross border seizures of cash and bearer instruments, make Nevis, in particular, a haven for criminals to conceal their proceeds. To address remaining vulnerabilities, the GOSKN should devote sufficient resources to effectively implement its AML/CFT regime, giving particular attention to its offshore financial sector and more rigorous customer due diligence and reporting requirements.

St. Kitts and Nevis should more precisely determine the exact number of Internet gaming companies present on the islands and provide the necessary oversight of these entities. The GOSKN needs to provide adequate resources and capacity to law enforcement agencies to effectively investigate money laundering cases. The government should consider implementing legislation to allow law enforcement authorities to postpone or waive the arrest of a suspected person and/or the seizure of cash so as to identify other persons involved in the offense. Additionally, the GOSKN should adopt or amend legislation, as necessary, to ensure its ability to freeze terrorist assets without delay is in accord with international standards and UN mandates.

The GOSKN should provide for close supervision of its economic citizenship programs or else consider their discontinuance. Additionally, Nevis should expand its supervision program to credit unions, local insurance companies, money service businesses and money transfer agencies. To strengthen its legal framework against money laundering, St. Kitts and Nevis should move expeditiously to become a party to the UN Convention against Corruption.

St. Lucia

St. Lucia has developed an offshore financial service center that is vulnerable to money laundering. Transshipment of narcotics (cocaine and marijuana), unregulated money remittance businesses, cash smuggling, and bank fraud, such as counterfeit U.S. checks and identity theft, are among the primary

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sources for laundered funds in St. Lucia. Trade and customs-based fraud and corruption also pose significant money laundering risks. The trade in gems and jewelry has also been used to launder funds and poses a considerable money laundering risk.

St. Lucia uses the East Caribbean dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). Seven other island economies are also members of the ECCB: Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, and St Vincent and the Grenadines. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

Currently, St. Lucia has seven offshore banks, two investment banks, 2,851 international business companies, 26 international insurance companies, four trust companies, three mutual fund administrators, and 15 registered agents. Shell companies are not permitted. The offshore sector is regulated by the Financial Sector Supervision Unit. The Government of St. Lucia (GOSL) also has one free trade zone (FTZ), managed by the St. Lucia Air and Sea Ports Authority (SLASPA) and located in the seaport of Vieux Fort, where investors may establish businesses and conduct trade and commerce within the FTZ or between the FTZ and foreign countries. Identification of companies and individuals who use the zone is required. There are no casinos or Internet gaming sites in St. Lucia.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Domestic and offshore banks, building societies, financial services providers, credit unions, trust companies, insurance companies, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Domestic and offshore banks, building societies, financial services providers, credit unions, trust companies, insurance companies, agricultural credit institutions, money exchangers, notaries, gaming centers, auto dealers and securities dealers

Number of STRs received and time frame: 83, January to November 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

Assets forfeited: *criminally:* None *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

St. Lucia is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Saint_Lucia_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Saint_Lucia_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The failure to criminalize important elements of terrorist financing poses a potentially significant risk. In order to lessen its risks, St. Lucia should examine the list of predicate offenses for money laundering, and criminalize self-laundering and terrorist financing. Additionally, the GOSL should amend its legislation, as necessary, to explicitly prohibit “tipping off” and to provide safe harbor coverage against both civil and criminal liability for individuals and financial institutions who file STRs.

Money remitters should be brought under the regulatory framework, and St. Lucia should implement risk-based assessment procedures, implement enhanced due diligence for PEPs and consider requirements for reporting large monetary transactions to the FIU.

The GOSL should intensify its efforts to investigate, prosecute, and sentence money launderers and those involved in other financial crimes, and should permit extradition in cases of money laundering and terrorist financing. The lack of money laundering prosecutions or convictions suggests that the FIU is under-resourced. There also is a need for increased resources in the Customs Department to address the lax customs regime.

St. Vincent and the Grenadines

St. Vincent and the Grenadines (SVG) is a small but active offshore financial center with a relatively large number of international business companies (IBCs). The country remains vulnerable to money laundering and other financial crimes as a result of drug trafficking and its offshore financial sector. Money laundering is principally affiliated with the production and trafficking of marijuana in SVG, as well as the trafficking of other narcotics from South America. Money laundering occurs in various financial institutions such as domestic and offshore banks and money remitters. There has been a slight increase in fraud and the use of counterfeit instruments over the last year, such as tendering counterfeit checks or cash.

St. Vincent and the Grenadines uses the East Caribbean dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). Seven other island economies are also members of the ECCB: Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Lucia, and St Kitts and Nevis. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

The offshore sector includes four offshore banks, 9,601 IBCs, eight offshore insurance companies, 103 mutual funds, 23 registered agents, and 119 international trusts. There are no offshore casinos, and no Internet gaming licenses have been issued. No physical presence is required for offshore sector entities and businesses, with the exception of offshore banks. Nominee directors are not mandatory except when

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an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs but not for banks. The Government of St. Vincent and the Grenadines (GOSVG) requires registration and custody of bearer share certificates by a registered agent who must also keep a record of each bearer certificate issued or deposited in its custody. The Offshore Finance Inspector has the ability to access the name or title of a customer account and confidential information about a customer that is in possession of a license. There are no free trade zones in SVG.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institution: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, agricultural credit institutions, money exchangers, gaming centers, securities dealers, lawyers, notaries, accountants, company and trust services providers (registered agents and trustees), real estate agents, jewelers, lottery agents and car dealers

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Domestic and offshore banks, money remitters, insurance companies, credit unions, trust service providers, customs and notaries, gaming centers, securities dealers, lawyers, notaries, accountants, company and trust services providers (registered agents and trustees), real estate agents, jewelers, lottery agents and car dealers

Number of STRs received and time frame: 412, January to October 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three

Convictions: None

Assets forfeited: *criminally:* None *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

St. Vincent and the Grenadines is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found

here: [http://www.cfatf-gafig.org/downloadables/mer/Saint_Vincent_&_the_Grenadines_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafig.org/downloadables/mer/Saint_Vincent_&_the_Grenadines_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of St. Vincent and the Grenadines (GOSVG) has been cooperative with regard to international investigations, including a recent high-profile case involving an American financier.

The GOSVG should strengthen its AML/CFT regime by ensuring the FIU has access to all necessary information. It should also pursue proper reporting from designated non-financial businesses and professions (DNFBPs) and increased SARs from entities that seem to be under-reporting, including offshore banks, mutual funds, insurance companies and lawyers. Additional due diligence should be required for politically exposed persons (PEPs) and correspondent banking relationships. The GOSVG should insist the beneficial owners of IBCs are known and listed in a registry available to law enforcement, immobilize all bearer shares, and properly supervise and regulate all aspects of its offshore sector. The GOSVG should continue to provide training and devote resources to increase the cooperation among its regulatory, law enforcement, and FIU personnel in AML/CFT operations and investigations. Passage of civil forfeiture legislation and broader use of special investigative techniques should be pursued to strengthen the government's AML efforts. St. Vincent and the Grenadines should also become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Sudan

Sudan is the largest country in Africa. The Darfur conflict, the aftermath of two decades of civil war in the south, the lack of basic infrastructure in large areas, and a reliance by much of the population on subsistence agriculture ensure much of the population will remain at or below the poverty level for years. Sudan currently has limited access to international financial markets and institutions because of comprehensive U.S. economic sanctions. Traders and other legitimate business persons often carry large sums of bank notes because the electronic transfer of money outside of Sudan is not always possible. These large amounts of cash can complicate enforcement efforts.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Commercial banks, exchange and brokerage shops, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Commercial banks, exchange and brokerage shops, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

Number of STRs received and time frame: 34 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010

Convictions: Not Applicable

Assets forfeited: criminally: Not applicable *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Sudan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. A MENAFATF mutual evaluation on-site visit is scheduled for February 2011.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sudan's Islamist links with international terrorist organizations led to Sudan's 1993 designation as a state sponsor of terrorism. In October 1997, the U.S. imposed comprehensive economic, trade, and financial sanctions against Sudan. In response to the Government of Sudan's (GOS) continued complicity in violence occurring in Darfur, new economic sanctions were imposed in May 2007. The sanctions blocked assets of Sudanese citizens implicated in Darfur violence and sanctioned additional companies owned or controlled by the GOS.

In 2010, Sudan made strides in bringing the legislative basis for its anti-money laundering/counter-terrorist financing regime in line with international standards through passage of "The Money Laundering and Terrorism Financing Act of 2010" (MLFTA). It is unclear whether the implementing regulations for the MLFTA are enforceable. Going forward, Sudan must focus on full implementation of the new law and establishing and empowering effective enforcement institutions, particularly the financial intelligence unit. Sudan has been working to address its shortcomings, including (1) developing adequate procedures for identifying and freezing terrorist assets; (2) working toward a fully operational and effectively functioning financial intelligence unit, including applying to the Egmont Group for membership; (3) ensuring financial institutions are aware of and comply with their obligations to file suspicious transaction reports in relation to money laundering and terrorist financing and (4) beginning to implement a supervisory program for the regulators to ensure compliance with the provisions of the new law and regulations.

In two recent cases, individuals were detained on suspicion of money laundering after a large amount of currency was discovered in their luggage. Both were able to prove that the funds came from legitimate sources, although one case was turned over to the tax authorities and the other to customs for further investigation.

Suriname

Suriname is not a regional financial center. Narcotics-related money laundering is closely linked to transnational criminal activity related to the transshipment of cocaine to the United States, Europe, and Africa. Domestic drug trafficking organizations and organized crime, with links to international groups, are thought to control much of the money laundering proceeds, which are invested in casinos, real estate, and private sector businesses. Additionally, money laundering occurs as a result of poorly regulated private sector activities, such as casinos and car dealerships, the non-banking financial sector (including money exchange businesses or “cambios”), and through a variety of other means, including construction, the sale of gold purchased with illicit money, and the manipulation of commercial bank accounts.

Goods are smuggled into Suriname over the land/river borders with Guyana, Brazil, and French Guiana, as well as via vessels. Other goods are “smuggled” into Suriname via deceptive bills of lading, via the shipping ports. This is done mainly to avoid paying higher import duties. There is little evidence to suggest this is significantly funded by narcotics proceeds or other illicit proceeds. Contraband smuggling is not believed to generate funds that are laundered through the financial system.

Suriname is not an offshore financial center and has no free trade zones. There is a gold economy in the interior mining region of the country. Suriname has a significant informal economy; however, the majority of money laundering proceeds are not linked to this market but are moved through various corporate entities within the formal economy. Offshore banks and shell companies are not permitted in Suriname.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, cambios, public notaries, lawyers, accountants, and insurance companies

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, cambios, public notaries, lawyers, accountants, insurance companies, car dealerships, jewelry stores

Number of STRs received and time frame: 2,358 in 2010

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Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four in 2010

Convictions: Two in 2010

Assets forfeited: criminally: Not available *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Suriname is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafig.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Suriname (GOS) should assure all non-financial businesses and professions are subject to and fully implement customer identification and unusual transaction reporting procedures. Additionally, Suriname should ensure that those same entities are subject to adequate supervision and enforcement programs. The GOS should enact its pending legislation to enhance its asset seizure and forfeiture regime. Suriname should implement reforms to enhance the FIU's capacity and authority. Additional efforts need to be made to ensure border enforcement. Customs and appropriate law enforcement need to investigate trade fraud and value transfer. The GOS should criminalize terrorist financing and become a party to the International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Swaziland

Swaziland is not considered a regional financial center. An in-country crime syndicate controls the sale or trade in dagga (marijuana), the proceeds of which may be laundered in Swaziland. There is a general belief that trade-based money laundering exists in Swaziland. There is suspicion that some retail shops are used for laundering money because there is no cash declaration between Swaziland and South Africa. There is also suspicion that cash gained from the sale of marijuana or hard drugs is used to buy goods for retail outlets and to build houses on non-titled land. The country is experiencing an increase in financial crimes related to fraud, as well as pyramid schemes. There is a significant black market for smuggled goods such as cigarettes, liquor, and pirated radio cassettes, videocassettes, and DVDs between Mozambique, South Africa and Swaziland. The smuggling of illegal goods is not funded by narcotics proceeds or other illicit proceeds.

Swaziland has not successfully prosecuted money laundering or terrorist financing cases; however, laws have been put in place to regulate anti-money laundering procedures.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, securities, real estate brokers, cooperatives, provident fund managers, insurance brokers

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, insurance companies and pension funds

Number of STRs received and time frame: 0

Number of CTRs received and time frame: Three in the last three years

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Swaziland is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Swaziland has not yet been subject to a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Swaziland has taken several important steps to establish an anti-money laundering/counter-terrorist financing (AML/CFT) regime. However, the slow process of the law and lack of training hamper the government's ability to enforce the Money Laundering Act. The Financial Services Regulation Act became law in June 2010, but regulations have not yet been produced for the implementation of this law.

The Common Monetary Area (CMA) provides a free flow of funds among the four member countries with no exchange controls. Countries signatory to the CMA are South Africa, Swaziland, Lesotho and Namibia. Cash smuggling reports are shared between host government agencies on an informal basis. There are no laws making the sharing mandatory.

The Anti-Corruption Unit and the police's Surveillance and Commercial Fraud Section deal with money laundering crimes. The section is not adequately staffed. The Government of the Kingdom of Swaziland (GOKS) should take steps to improve the capacity and coordination between the police and the Anti-Corruption Commission. The GOKS should establish a financial intelligence unit (FIU).

Sweden

Although Sweden is not considered a major money laundering country, money laundering in Sweden is a growing concern. According to statistics from the Swedish financial intelligence unit (FIU), the amount of suspected money laundering transactions totaled \$882.8 million in 2009.

Money laundering in Sweden occurs primarily through criminal proceeds being integrated and turned over in the financial system or with the help of corporations that use financial system services. Money laundering is further facilitated by criminals having contacts, influence or control over corporations within the financial system. Laundered money emanates from narcotics, tax fraud, economic crimes, robbery, and organized crime and is concentrated primarily in Sweden's large urban regions. Public corruption is not a serious issue in Sweden.

There is not a significant market for smuggled goods in Sweden. Sweden is not an offshore financial center. The police estimate that between 10-15 percent of the payment transfers that take place in the approximately one hundred underground banking outlets and through the hawala system are reported as suspicious transfers. Operators of informal remittance systems are expected to apply Swedish bookkeeping regulations and can be prosecuted if they do not. According to the FIU, suspicious transaction reports (STRs) reveal money leaving Sweden is most often destined for Nigeria, Ghana, Iran, China, the United Kingdom, Thailand, Turkey and the Philippines. Money entering Sweden, cited in STRs, comes from Estonia, Italy, United Arab Emirates, United Kingdom, U.S.A, Turkey, China, and Congo.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here; <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions, insurance companies, securities firms, currency exchange houses, providers of electronic money, money transfer companies, accounting firms, law firms, tax counselors, casinos, gambling enterprises and lottery ticket sale outlets, real estate brokers, and dealers of vehicles, art, antiques and jewelry

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

INCSR 2011 Volume II Country Database

Covered entities: Banks, non-bank financial institutions, independent and certified public accountants, tax advisors, real estate agents, casinos, life insurance and securities companies, insurance brokers, fund companies, companies that issue electronic money, and dealers in antiques, art, precious stones, metals and transport equipment

Number of STRs received and time frame: 9,137 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: **criminally:** Not available **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Sweden is a member of Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/58/30/46253171.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Most often money laundering is prosecuted as tax evasion, if no other direct connection to crime is found. Less than one percent of the businesses subject to reporting requirements filed charges of money laundering with the FIU in 2009.

In 2010 the Swedish Justice Department ordered a review of the criminalization of money laundering. This inquiry will consider whether the criminalization of money laundering needs to be simplified and clarified, and whether the criminal scope of money laundering should be extended. There is limited co-operation, co-ordination and information sharing among the appropriate authorities and organizations before the stage of preliminary investigation of a suspected crime. This weakness should be remedied through the establishment of a network, working group or similar body involving the relevant authorities and organizations.

Financial institutions are aware of the legal obligation to freeze terrorist assets. However, Sweden has issued insufficient guidance to financial institutions on how to deal with funds of targeted assets and persons. In addition, there is a lack of a national mechanism to consider requests for freezing from other countries (outside the EU mechanism) or to freeze the funds of EU citizens/residents. Additionally, as the scope of the terrorist financing offense does not specifically include funds to be used by a terrorist organization or an individual terrorist for any purpose, the scope of the law may not be compliant with international standards.

Switzerland

Switzerland is a major international financial center. Reporting indicates that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide. These illegal activities include, but are not limited to, financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorist financing and corruption. Although both Swiss and foreign individuals or entities launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America and West Africa, dominate the narcotics-related money

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laundering operations in Switzerland. The country's central geographic location, relative political, social, and monetary stability, the range and sophistication of financial services it provides, and its long tradition of bank secrecy not only contribute to Switzerland's success as a major international financial center, but also expose Switzerland to potential money laundering abuse.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, securities and insurance brokers, money exchangers or remitters, financial management firms, investment companies, insurance companies, casinos, or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, securities and insurance brokers, money exchangers or remitters, financial management firms, casinos, or individuals acting as intermediaries in bank lending, money transactions, trading of currencies or dealing in matters of wealth management and investment advice

Number of STRs received and time frame: 896 in 2009

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 269 individuals in 2009

Convictions: 172 individuals in 2009

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Switzerland is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: (<http://www.fatf-gafi.org/dataoecd/53/52/43959966.pdf>)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Swiss money laundering regime is generally perceived to conform to international standards and Swiss authorities are regularly updating their legislation. For instance, on October 1, 2010, a new law on PEPs was issued and will reportedly be put into force on January 20, 2011. Additionally, on January 1, 2011, the 26 cantonal codes of criminal procedure were replaced with regulations in the Swiss Penal Code (“Strafgesetzbuch”), designed to unify procedural rules and facilitate international cooperation.

The anti-money laundering (AML) law does not explicitly cover real estate brokers and dealers of arts, antiquities and other high-value goods. Also, for terrorist financing reporting, Swiss authorities distinguish the obligation to communicate (reasonable suspicion) and the right to communicate (simple suspicion) given the degree of suspicion that prevails.

Under the law, measures for insurance companies and other financial intermediaries (excluding banks) are not sufficiently elaborated. Additionally, several measures have been implemented for anonymous companies, but some deficiencies remain as the competent authorities do not have access to the register of the shareholders. Furthermore, a lack of transparency exists in relation to foundations run by non-professionals. The Swiss Financial Market Supervisory Authority (FINMA) is not authorized to impose pecuniary sanctions; it can only issue administrative ones. Furthermore, the breadth of the sanctions may not always take into account the gravity of the crime.

In 2009, approximately 65% of filed suspicious activity reports (SARs) came from the banking sector and seven SARs were linked to suspected terrorist financing. The number of SARs hit an all-time high in 2009. Fraud (37%), embezzlement (10%), organized crime (9%), and money laundering (9%) were the most common predicate/suspected criminal offenses, and nearly two-thirds of all SARs were generated by media reports, third-party information and information from prosecuting authorities. No particular money laundering issues about non-profit organizations, alternative remittance systems, offshore sectors, free trade zones or bearer shares have occurred.

Switzerland has returned more money to the countries of origin than any other financial centre, amounting to a total of \$1.8 billion. Furthermore, Switzerland is involved in many multilateral fora related to asset recovery, corruption and development.

Syria

Syria is not an important regional or offshore financial center, due primarily to its still underdeveloped private banking sector and the fact that the Syrian pound is not a fully convertible currency. Despite rapid growth in the banking sector, industry experts estimate only 20 percent of Syria’s population of nearly 22 million people actually uses banking services. Consequently, some 60 percent of all business transactions are still conducted in cash. Estimates of the volume of business conducted in the black market by Syrian moneychangers range between \$15 and \$70 million per day. Additionally, there continue to be significant money laundering and terrorist financing vulnerabilities in Syria’s banking and non-bank financial sectors due to either a lack of necessary legislation or poor government enforcement of existing laws. Syria’s black market moneychangers are not adequately regulated, and the country’s borders remain porous. Regional hawala networks, intertwined with smuggling and trade-based money laundering, raise significant concerns, including involvement in the financing of terrorism. The most obvious indigenous money laundering threat involves Syria’s political and business elite, whose corruption and extra-legal activities continue unabated.

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There are eight public free trade zones (FTZs) in Syria and five additional free zones are planned in Damascus, Homs, Dayr ez-Zawr, Idleb, and the port of Tartous. In recent years, both China and Iran announced plans to build FTZs in Syria, although Iran later dropped this idea in favor of pursuing a free trade agreement with Syria. China's free zone in Adra was officially inaugurated in July 2008; thirteen businesses have been established in Adra to-date. The volume of goods entering the FTZs is estimated to be in the billions of dollars and is growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the FTZs must be registered with the General Organization for Free Zones, part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification or the resources to adequately monitor goods that enter Syria through the zones. There are also continuing reports of Syrians using the FTZs to import arms and other goods into Syria in violation of USG sanctions under the Syrian Accountability Act, and a number of United Nations Security Council Resolutions.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real-estate brokers and agents; dealers of high-value goods, such as jewelry, precious stones, gold, and antiquities; lawyers; and accountants

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit cards, payment cards, travelers checks, and ATM cards; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real-estate brokers and agents; dealers of high-value goods, such as jewelry, precious stones, gold, and antiquities; lawyers; and accountants

Number of STRs received and time frame: 144 from January to November 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Syria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Syria's most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportofSyria.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The United States has designated Syria as a State Sponsor of Terrorism.

In May 2004, the U.S. Department of Treasury found the Commercial Bank of Syria (CBS), along with its subsidiary, the Syrian Lebanese Commercial Bank, to be a financial institution of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations as a conduit for the laundering of proceeds generated from the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In April 2006, Treasury promulgated a final rule, based on the 2004 finding and proposed rule-making, prohibiting U.S. financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its Syrian Lebanese Commercial Bank subsidiary.

Most Syrian judges are not yet familiar with the evidentiary requirements of the anti-money laundering law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick adjudication of these issues. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementations of existing AML/CFT regulations.

Although Decree 33 provides the Central Bank with the legal basis to combat money laundering, most Syrians still do not maintain bank accounts or use checks, credit cards, or ATM machines. The Syrian economy remains primarily cash-based, and Syrians use moneychangers, some of whom also act as hawaladars, for many financial transactions. As a step to enhancing oversight of moneychangers, in 2006 a law was passed to cover moneychangers; however, they remain largely unregulated.

In addition to cash smuggling, there is also a high rate of commodity smuggling out of Syria. It has been reported that some smuggling is occurring with the knowledge of, or perhaps even under the authority of, the Syrian security services. The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While customs has started to enact some limited reforms, including the computerization of border outposts to interface with other government agencies, problems of information-sharing remain.

While Syria has made modest progress in implementing AML/CFT regulations that governs the formal financial sector, the continuing lack of transparency of the state-owned banks and their vulnerability to political influence reveal the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the black market will continue to be vulnerable to money laundering and terrorist financiers. To build confidence in Syria's intentions, the Central Bank should be granted independence and supervisory authority over the entire sector. Additionally, the Government of Syria (GOS) should enact the draft AML/CFT law to address many of the remaining deficiencies. Upon enactment of the new law, Syria will need to work actively to

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effectively implement its provisions through appropriate regulation and other related action. The GOS should become a party to the UN Convention against Corruption.

The General Directorate of Customs, the Central Bank, and the judicial system in particular continue to lack the resources and the political will to effectively implement AML/CFT measures. Although the GOS has stated its intention to create the technical foundation through which different government agencies could share information about financial crimes, this system has not been created. In addition, it remains doubtful whether the GOS has the political will to combat terrorist financing by classifying as terrorist organizations what it currently deems legitimate resistance groups, or to address the corruption that exists through all levels of government and business. There is no obligation requiring financial institutions to report suspicious attempted transactions or those related to terrorist financing. Many non-bank financial institutions continue to be unfamiliar with the requirements of the law.

Taiwan

Taiwan's modern financial sector, strategic location on international shipping lanes, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, trade fraud, and smuggling. Though illegal in Taiwan, a significant volume of informal financial activity takes place through unregulated non-bank channels. In recent years Taiwan has taken steps to shift much of this activity into official, regulated financial channels. Taiwan has five free trade zones and a growing offshore banking sector. There is no significant black market for smuggled goods in Taiwan.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. An emerging trend in money laundering is the use of jewelry stores as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade make it difficult for law enforcement to detect and deter money laundering in this sector.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit co-operative associations, credit departments of Farmers' Associations and Fishermen's Associations, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and dealers in precious metals and stones

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit co-operative associations, credit departments of Farmers' Associations and Fishermen's Associations, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, jewelry stores, and members of the National Real Estate Broking Agencies Association

Number of STRs received and time frame: 1,845 (January - December 2009)

Number of CTRs received and time frame: 2,963, 282 (January - December 2009)

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 39 persons (January - December 2010)

Convictions 11 persons (January - December 2010)

Assets forfeited: *criminally:* NT\$593.8 million (approximately \$20.1 million) - January - December 2010 *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.apgml.org/documents/docs/17/Chinese%20Taipei%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan continues to strengthen its AML/CFT regime. However, the government has not passed legislation that would address weaknesses in terrorist financing prevention measures, despite numerous draft laws over the past several years. While the financing of terrorist activities in Taiwan is a criminal offense, it is not an autonomous offense, and does not specifically cover the financing and support of terrorist activities overseas. Taiwan should pass legislation to criminalize terrorism and terrorist financing as an autonomous crime, and clarify that the law covers such activities overseas.

Many types of designated non-financial businesses and professions are not subject to AML/CFT requirements. The lack of reporting, customer due diligence and recordkeeping requirements makes these entities particularly vulnerable to money laundering/terrorist financing activity. Taiwan should take steps to amend its legislation and regulations, as necessary, to bring all DNFBPs, as listed in the international standards, within the scope of its AML/CFT coverage.

Foreign politically exposed persons (PEPs) are not subject to enhanced due diligence. Taiwan's Financial Supervisory Commission, the top financial regulator in Taiwan, is establishing a databank for "high profile politicians" in an effort to prevent money laundering. Once established, financial institutions will be required to identify, record, and report the identities of high-profile customers engaging in significant or suspicious transactions.

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Taiwan is unable to ratify UN conventions because of long-standing political issues. However, it has enacted domestic legislation to implement the standards in the key AML/CFT UN Conventions. Amendment of the money laundering legislation incorporated related laws to fully implement the provisions of the Vienna, Palermo and terrorist financing conventions and resolutions.

Taiwan should raise awareness of the vulnerabilities of non-profit organizations to terrorist financing, and should exert more authority over this sector. The government should abolish all shell companies and prohibit the establishment of new shell companies of any type. Given the increasing threat of alternative remittance centers such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems.

Taiwan began to draft new legislation of the Mutual Assistance Act for Criminal Justice in January of 2010. In the draft legislation, mutual legal assistance request doesn't need to initiate judicial proceedings as precondition in requesting jurisdiction.

Tajikistan

Tajikistan operates largely on a cash economy and with decentralized accounting systems, which makes money laundering difficult to detect. Money laundering schemes are relatively easy to perpetrate due to the absence of strict record keeping laws for financial institutions.

Criminal proceeds laundered in Tajikistan are derived from both foreign and domestic criminal activity related to the large amounts of opium and heroin trafficked from Afghanistan to Russia via Tajikistan. Corruption related to large scale industries, such as aluminum production, also presents serious risks. The money laundering proceeds are controlled by high level drug trafficking networks, with some smaller actors involved. It is suspected high-level corruption facilitates the drug trade and its associated money laundering. Tajik authorities have reported that some unlawfully derived proceeds are handled through offshore accounts in the Middle East. Large scale smuggling of domestic goods occurs in Tajikistan to avoid customs duties and local taxes.

In February 2010, Tajikistan introduced a Voluntary Tax Compliance (VTC) program that is to remain in force until December 2011 and that appears to conflict with international AML/CFT standards. The VTC program applies to undeclared and repatriated funds belonging to citizens and legal persons of Tajikistan that are transferred from foreign banks to banks in Tajikistan. Repatriated funds—including proceeds of certain offenses that are money laundering predicates under the FATF Recommendations--are exempted from criminal responsibility. Moreover, the Tajik authorities are obliged to ensure confidentiality of the funds transferred into banks in Tajikistan under the program, establishing bank secrecy requirements that undermine effective AML regulatory supervision and law enforcement activities.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>).

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks money remitters, insurance companies and securities firms

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS: NO

Covered entities: Not applicable

Number of STRs received and time frame: Not applicable

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One since 2008

Convictions: None

Assets forfeited: criminally: None civilly: None

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Tajikistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: <http://www.eurasiangroup.org/files/MERs%20-%20ENG/tajikistan.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Tajikistan (GOT) has customs information exchange agreements with Uzbekistan, Kyrgyzstan, Afghanistan, Iran, Turkey, China, Russia, and Belarus.

The GOT has not implemented many of its treaty obligations in domestic law. UNSCR 1373 has been partially implemented, but the freezing of terrorist assets is still not codified in the laws of Tajikistan. The authorities can confiscate property belonging to terrorist organizations under the Law on Combating Terrorism. The proceeds from the financing of terrorism offenses can also be confiscated under the Criminal Procedure Code. However, these measures do not permit freezing of terrorist assets without delay, and UNSCR 1267 has not been used for this purpose. Banks and non-banking institutions report the lists of designated persons under UNSCR 1267 have not been distributed. The Criminal Code criminalizes terrorist financing, but it does not apply to individual terrorists.

The absence of legally mandated customer due diligence requirements makes it very difficult for authorities to detect financial crime or money laundering. Article 262 of the Criminal Code criminalizes money laundering, but does not meet international standards. The Criminal Code states confiscation of the offender's belongings is possible in certain cases but also specifies exceptions. In 2008, the Tajik Parliament adopted the Law on Executive Proceedings that enables asset-seizure mechanisms.

Tanzania

Tanzania is not an important regional financial center. Tanzania's location at the crossroads of southern, central and eastern Africa leaves it vulnerable to activities that generate illicit revenue, such as smuggling, and the trafficking of narcotics, arms, and humans. The major profit generating crimes in Tanzania include theft, robbery, corruption, smuggling of precious metals and stones, and drug trafficking. With only twelve percent of the population engaged in the formal financial sector, money laundering is more likely to occur in the informal non-bank sectors. Officials indicate the offshore sector and free trade zones are not currently significant areas of concern. Criminals have been known to use front companies, including hawaladars and bureaux de change, to launder funds, though these are not currently significant areas of concern for Tanzanian anti-money laundering officials. The use of front companies to launder money is especially common on the island of Zanzibar, where fewer federal regulations apply. Officials indicate that money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry and bulk cash smuggling. Real estate and used car businesses also appear to be sources of money laundering in Tanzania.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and financial institutions; cash dealers; accountants; art, metal, and precious stone dealers; customs officials; and legal professionals

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and financial institutions; cash dealers; accountants; realtors; art, precious metals and stone dealers; casino and gaming operators; regulators and customs officials; and legal professionals

Number of STRs received and time frame: 20 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: *criminally:* 0 *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Tanzania does not have formal records exchange mechanisms, though the Ministry of Foreign Affairs and central Bank of Tanzania do cooperate with other governments via memoranda of understanding.

Tanzania has serious deficiencies in its legislation and AML/CFT regime. Among the key issues are the inadequate criminalization of terrorist financing; deficiencies in the mechanisms to freeze and confiscate terrorist assets, including a lack of implementing regulations to give effect to the freezing mechanism under the Prevention of Terrorism Act for the purposes of UNSCRs 1267 and 1373; a lack of enforceable requirements to ensure customer due diligence (CDD); weaknesses in supervision of the financial sector; a focus mainly on the formal banking sector rather than full coverage of designated non-financial businesses and professions (DNFBPs); ineffective provisions pertaining to recordkeeping, including a threshold approach to recordkeeping requirements; and weaknesses in the structure and function of Tanzania's financial intelligence unit, including the lack of designated competent authorities responsible for ensuring compliance by financial institutions and inadequate provisions to safeguard the operational independence of the FIU.

Nevertheless, the Government of Tanzania (GOT) has made improvements in its compliance with international AML/CFT standards. In January 2010, legislation mirroring the mainland Anti-Money Laundering Act came into force in Zanzibar. The Zanzibar legislation does not recognize the jurisdiction of the mainland FIU and National AML Committee; however, the GOT has agreed in principle to amend this. The GOT should focus its efforts on practical implementation of the AMLA, including dedicating the resources necessary to build an effective FIU. The FIU should continue its efforts to hire additional staff to ensure financial institutions are adequately supervised, to inform them of their reporting and record keeping responsibilities, and to train the financial sector to identify suspicious transactions. Tanzania should work to increase the level of awareness and understanding of money laundering issues in the financial, law enforcement and judicial areas and should allocate the necessary human, technical, and financial resources to implement its AML/CFT regime. The GOT should ensure the Prevention of Terrorism Act comports with international standards and authorities implement all provisions in the law. The GOT should also improve its cross-border cash declaration regime. The capacity of Tanzanian police and customs officials to recognize money laundering and value transfer methodologies used in the region should be raised.

Thailand

Thailand is a centrally located, middle-income Southeast Asian country surrounded by economically less vibrant neighbors along an extremely porous border. Thailand is vulnerable to money laundering from its own underground economy as well as many categories of cross-border crime, including illicit narcotics and other contraband smuggling. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles. Money launderers and traffickers use banks, as

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well as non-bank financial institutions and businesses to move the profits of narcotics trafficking and other criminal enterprises. In the informal money changing sector there is an increasing hawala-type money shop presence servicing Middle Eastern travelers in Thailand, most of them arriving to avail themselves of the country's comparatively inexpensive medical services. The Thai banking regulations cover these institutions adequately, but effective oversight of the least formal operations is difficult to achieve.

Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods and, increasingly, a center for the production and sale of fraudulent travel documents. Illegal gaming, corruption, underground lotteries, and prostitution are all problems. Thailand's criminal justice system has low capacity to deal with these challenges but is improving.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.?: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks (including state banks), finance companies, securities dealers, insurance companies, money exchanges and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real-estate agents/brokers, antique shops, personal loan businesses, electronic card and credit-card businesses, electronic payment businesses, and deposit/lending cooperatives

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks (including state banks); finance and factoring companies; securities dealers; insurance companies; money exchanges and remitters; asset management companies; financial management firms; jewelry and gold shops; automotive hire-purchase businesses or car dealers; real-estate agents/brokers; antique shops; personal loan businesses; electronic payment, card and credit-card businesses; deposit/lending cooperatives; and the Ministry of Interior's Department of Lands

Number of STRs received and time frame: 616,148 from January 1 – October 31, 2010

Number of CTRs received and time frame: 522,318 from January 1 – October 31, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 from October 2007 – March 2008

Convictions: Not available

Assets forfeited: *criminal:* None *civil:* \$529,000 from October 2007 – March 2008

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Thailand is a member of Asia/Pacific Group against Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

www.apgml.org/documents/docs/17/thailand

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Thai law does not provide for enhanced due diligence for politically exposed persons nor does it adequately prohibit “tipping off,” leaving financial institutions and their employees subject to potential liability for filing STRs. Furthermore, there is no comprehensive cross-border currency reporting or seizure system. The Government of Thailand should amend its legislation as necessary to ensure these deficiencies are corrected.

There have been no prosecutions since 2008. Both the AML Board and Transaction Committee were dissolved several years ago. The Transaction Committee approves seizures for civil forfeiture. Thailand has had no seizures for forfeiture since the Transaction Committee was disbanded. A new AML Board was appointed in November, 2010.

Thailand should become a party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime.

During 2010, the FATF identified Thailand as a jurisdiction with significant AML/CFT vulnerabilities. In response, the Thai government expressed high-level political commitment to address deficiencies in its AML/CFT regime, and reported taking steps to address these deficiencies. For example, the Thai government drafted a proposed Counter-Terrorism Financing Act which, in part, would criminalize the collection or provision of funds for the purpose of supporting terrorist acts or organizations. However, important actions are still pending, including passage of key amendments and regulations which will augment the current AML/CFT regime. The Thai FIU lacks clear leadership, with a new Secretary General yet to be appointed. For AMLO to become a sophisticated agency able to take substantial casework, it will need to build extensive institutional capacity and political will.

Timor-Leste

Timor-Leste is not a regional or offshore financial center, and has no free trade zones. The economy is cash based, and the Ministry of Finance estimates only 1.3 percent of Timorese regularly use banking facilities. Private sector growth is hampered by a lack of human capital and regulatory capacity. The national economy depends on petroleum and natural gas revenues and assistance from international donors.

Timor-Leste has experienced relative stability over the past three years but remains in a state of transition. Governmental institutions are still being established, and legal and financial systems are limited. Years of violent conflict devastated Timor-Leste’s physical infrastructure, which has compromised the

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government's ability to provide reliable basic services. Continued stability will depend on ongoing efforts to professionalize and bolster the capacity of law enforcement and security institutions.

Weak controls at the land border with Indonesia and even weaker maritime border controls make Timor-Leste vulnerable to smuggling, organized crime, and terrorist activities. Narcotics trafficking is not considered a significant source of illegal proceeds, but the inadequacy of reporting and data systems makes it difficult to track cross-border activities.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not applicable

Legal persons covered: *criminally:* NO *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Not applicable

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Not applicable

Number of STRs received and time frame: Not applicable

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Timor-Leste is not a member of any a Financial Action Task Force (FATF)-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Timor-Leste lacks critical AML/CFT controls; and low technical, financial, and human capacity make it difficult to enforce adequately the laws that are in place. The National Parliament is considering a draft AML/CFT law, which is not expected to pass before the end of 2011. The draft law uses an “all serious

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crimes” approach to the predicate offense, and also covers legal persons. It contains provisions for immediately freezing terrorist assets and allows asset forfeiture. The draft law contains “know your customer rules” that cover financial institutions and non-financial businesses and professions, and specifies suspicious transaction reporting requirements for covered entities. The draft law would also provide a records exchange mechanism between Timor-Leste, the United States and other nations. The Government of Timor-Leste should make passage of this law a priority.

Recently, the Asia/Pacific Group on Money Laundering (APG), an FSRB, dispatched a working group to Timor-Leste to discuss performing a mutual evaluation during 2011. The date of that evaluation has not been determined.

Togo

Togo’s poor financial infrastructure and small size make its financial institutions unlikely venues for money laundering. Its porous borders, however, combined with its susceptibility to corruption, make it a transshipment point in the region and sub-region for the narcotics trade. Most narcotics passing through Togo are believed destined for European markets.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and financial institutions

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and financial institutions

Number of STRs received and time frame: Three in 2010

Number of CTRs received and time frame: Three in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Six in 2010

Convictions: None

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Togo is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. A mutual evaluation of Togo was scheduled for 2010, and once adopted, will be found here: <http://www.giaba.org/#>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Togo's anti-money laundering laws, including the 2009 law covering terrorism-related financing, are enforced by a national agency called the Cellule Nationale de Traitement des Informations Financieres (CENTIF). It investigates suspicious bank transfers as well as attempts to transport money across borders in excess of the amounts allowed by law.

Both Togo's laws and the enforcement efforts of the CENTIF are relatively new and still gaining traction, as evidenced by the six prosecutions this year as opposed to none last year. However, the Government of Togo should ensure continued funding and support for the CENTIF, as well as greater efforts to combat corruption.

Tonga

Tonga is an archipelago located in the South Pacific, about two-thirds of the way from Hawaii to New Zealand. Tonga is neither a financial center nor an offshore jurisdiction. It has only three commercial banks. Remittances from Tongans living and working abroad are the largest source of hard currency earnings, followed by tourism. Tonga is deemed by local police authorities to be vulnerable to smuggling and money laundering due to inadequate border controls.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks

Number of STRs received and time frame: 17 in 2009

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2010

Convictions: None

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Tonga is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Tongan Transaction Reporting Authority (TRA) is generally vested with the powers of a financial intelligence unit (FIU) although there are some serious limitations in its powers. The TRA's functions under the Money Laundering and Proceeds of Crime Act do not explicitly include analysis of suspicious transaction reports (STRs); and lack of timely access to financial, administrative and law enforcement information severely limits the TRA's ability to effectively analyze STRs.

Tongan authorities feel a primary reason why there is a lack of investigations into money laundering is that there are insufficient resources and expertise in most of the relevant agencies. Money laundering activities may be occurring outside of the formal banking system by way of alternative remittance systems.

Trinidad and Tobago

Trinidad and Tobago (TT) has a well-developed banking sector, and its importance as a regional financial center has increased in recent years. With few barriers to trade or international commerce, the potential for illegal financial flows continues.

Drug-trafficking, illegal arms sales and fraud continue to be the most likely sources of laundered funds. Illicit drug trafficking is considered the primary motive for money laundering. It is suspected that criminal assets laundered in TT are derived from domestic criminal activity as well as from the activity of nationals involved in crime abroad. According to information from financial institutions and legal analysts, financial crimes in general are increasing, particularly those involving the use of fraudulent checks, wire transfers, and related instruments in the banking sector. There is no significant black market for smuggled goods in TT, but the incidence of drug money supporting illegal arms imports is thought to be growing. Officials in the financial community report that funds generated from the arms and ammunition trade are being laundered through the financial system, mainly through simple bank branch currency trades below the suspicious activity reporting threshold. There are indications trade-based money laundering occurs in Trinidad, though the evidence is speculative, not empirical.

TT does not have a significant traditional offshore business sector. Although its banking system is regarded as one of the strongest and most efficient in the region, costs of banking are higher here than neighboring countries due to limited exploitation of new technology and limited competition. Local

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banks do offer foreign currency accounts, but there is no interest offered, so customers have no incentive to maintain US cash reserves in the bank for extended periods of time.

There are six free trade zones (FTZs) in Trinidad and Tobago where exporting of manufactured products takes place. There is no evidence the FTZs are involved in money laundering schemes, and companies operating in the FTZs are required to submit tax returns quarterly and audited financial statements yearly. Companies must present proof of legitimacy and are subject to background checks prior to being allowed to operate in the FTZs.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, finance houses, insurance companies, securities dealers, investment advisors, real estate agents, motor vehicle dealers, gaming enterprises, national lotteries, jewelers, accountants, attorneys or other independent legal professionals, art dealers, trust and company service providers

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, finance houses, insurance companies, securities dealers, investment advisors, real estate agents, motor vehicle dealers, gaming enterprises, national lotteries, jewelers, accountants, attorneys or other independent legal professionals, art dealers, trust and company service providers

Number of STRs received and time frame: 199 from February to December 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: criminally: \$0 in 2010 *civilly:* \$0 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

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Trinidad and Tobago is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2010, the FATF identified Trinidad and Tobago as a jurisdiction with significant AML/CFT vulnerabilities. In response, the Government of Trinidad and Tobago (GOTT) has made high-level political commitments to address its deficiencies, including implementing adequate procedures to identify and freeze terrorist assets without delay, implementing procedures for the confiscation of funds related to money laundering, and ensuring Trinidad and Tobago's financial intelligence unit (FIU), established by law in October 2009, would be fully operational. In November 2010, the Cabinet approved regulations pertaining to the Trinidad and Tobago FIU, although a director was not appointed in 2010.

Tunisia

Tunisia is not considered an important regional financial center. Tunisia has strict currency exchange controls which authorities believe mitigate the risk of international money laundering. There is a low level of crime in Tunisia. The primary domestic criminal activities that generate laundered funds are clandestine immigration, trafficking in stolen vehicles, and narcotics. There also is informal economic activity involving smuggled goods. However, there is no evidence to suggest significant levels of narcotics are involved or that smuggling generates funds that are laundered through the financial system.

As of yearend 2009, Tunisia had eight offshore banks and a considerable number of offshore international business companies. Tunisia also has two free trade zones, in Bizerte and Zarzis, with a limited number of companies manufacturing products for export. There are no offshore financial institutions located in either free trade zone.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's 2009 Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/2009/140886.htm>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: All financial institutions

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: All financial institutions and financial intermediaries

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: ***criminally:*** Not available ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Tunisia is a member of the Middle East North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.menafatf.org/images/UploadFiles/MENAFATF.7.07.E.P5R2%20_with%20response_.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Tunisia (GOT) should continue to implement and enhance its anti-money laundering/counter-terrorist financing (AML/CFT) regime. GOT authorities should disseminate statistics and benchmarks such as prosecutions and convictions that will aid in measuring progress. Since Tunisia has strict currency controls, in all likelihood informal remittance systems such as hawala are prevalent. Authorities should examine underground finance and its possible link to money laundering and extremist finance. Regionally, invoice manipulation and customs fraud is often involved in hawala counter-valuation. As a result, authorities should be aware of trade-based laundering and value transfer.

All offshore financial institutions are held to the same regulatory standards as onshore financial institutions. Offshore financial institutions undergo the same due diligence process as onshore banks and are licensed only after the Central Bank investigates their references and the Ministry of Finance approves their applications. Anonymous directors are not allowed. Offshore international business companies are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Bearer financial instruments or shares are strictly prohibited.

Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. While the vast majority of Turkey's economy is legitimate, money laundering is a problem. Turkey continues to be a major transit route for Southwest Asian opiates moving to Europe. However, narcotics trafficking is only one source of the funds laundered in Turkey. Other significant sources of laundered funds include invoice fraud and tax evasion, and to a lesser extent, smuggling, counterfeit goods, and forgery. Terrorist financing and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are also present in Turkey. Money laundering takes place in banks, non-bank financial institutions, and the underground economy. The World Bank estimates as much as 30 percent of the economic activity is derived from unregistered businesses. Money laundering methods in Turkey include: the large-scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and

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sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and regulated financial institutions, including the Central Bank; securities companies; post office banks; Islamic financial houses; and exchange offices

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; card issuers; consumer finance, financial leasing and factoring companies; insurance companies, lotteries, vehicle sales outlets, antique dealers, pension and mutual funds, exchange houses, dealers in art, high-value goods, precious stones and precious metals, and precious metals exchange intermediaries, notaries, sports clubs, real estate companies, capital and portfolio management companies, postal service and cargo companies

Number of STRs received and time frame: 9,823 in 2009; 6,718 through August 24, 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 279 from 1997-2009; 15 in 2009

Convictions: 22 from 1997-2009; three in 2009

Assets forfeited: *criminally:* Not available *civilly:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Turkey is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/14/7/38341173.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Turkish Criminal Court records are closed to the public. According to statistics from Turkey's financial intelligence unit, Financial Crimes Investigation Board (MASAK), between 2005 and 2009, 342 money laundering cases were referred for further investigation, but only 22 cases resulted in convictions. In 2009, the 15 prosecutions resulted in three convictions. There are still 188 cases pending in the courts. Moreover, all of the convictions are reportedly under appeal. There is a lack of specialization and understanding of anti-money laundering/counter-terrorist financing (AML/CFT) provisions among relevant authorities, which has contributed to the high number of acquittals in money laundering cases.

Turkey and the United States cooperate closely on narcotics and money laundering investigations.

Although legal persons are subject to criminal liability, the sanctions against such entities are limited. There is no mandated enhanced due diligence for PEPs; banks are simply encouraged to give closer scrutiny to such customers.

The Government of Turkey's (GOT) non-profit sector is likely vulnerable to abuse by terrorist financing. The Turkish government is still developing the investigative skills, law enforcement expertise, financial oversight and outreach necessary to effectively counter this threat. The nonprofit sector is not audited on a regular basis for counter-terrorist finance vulnerabilities and does not receive adequate AML/CFT outreach or guidance from the GOT. The General Director of Foundations issues licenses for charitable foundations and oversees them. However, there are a limited number of auditors to cover more than 70,000 institutions.

Laws related to terrorist financing are limited to acts committed by members of organizations operating against the Turkish Republic, so the collection, donation and movement of funds by terrorist organizations would not be prohibited if the funds could not be linked to a specific domestic terrorist threat. While the GOT has implemented UNSCR 1267, it has not yet established punishment or sanctions for institutions that fail to observe a freezing order, and it has not yet established procedures for delisting entities or unfreezing funds. Additionally, the GOT has not taken steps that would allow it to freeze the assets of entities designated by other jurisdictions, as required under UNSCR 1373.

In February 2010, the FATF identified Turkey as a jurisdiction with significant AML/CFT vulnerabilities, chief among them Turkey's lack of adequate criminalization of terrorist financing and national asset freezing mechanisms. The GOT adopted an action plan designed to commit to a timeline for implementing new legislation. A draft law on the "Prevention of Terrorism Financing" intended to address the CFT deficiencies is currently within the Prime Ministry where it is being reviewed by experts.

Turkmenistan

Turkmenistan is not a regional financial center. There are only five international banks and a small, underdeveloped domestic financial sector. Foreign companies operate three casinos in Turkmenistan, which under certain conditions could become vulnerable to financial fraud and used for money laundering. Corruption related to natural resource extraction is a problem and transfer of funds remains opaque. Given Turkmenistan's shared border with Afghanistan, money laundering in the country could involve proceeds from illegal narcotics (primarily opium and heroin) trafficking and trade, derived primarily from domestic criminal activities. Although there is no information on cash smuggling, gasoline and other commodities are smuggled routinely across the national borders.

There are no offshore centers in the country. The current Law on Free Economic Zones (FEZs) in Turkmenistan regulates business in these zones. There are ten FEZs in Turkmenistan that were all created

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prior to 1998. Businesses operating in a FEZ are exempt from taxes on profits for the first three years of profitable operation.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks and other credit institutions

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks and other credit institutions, money remitters, foreign currency dealers, and money exchangers; professional participants in the securities market, commodity exchangers, and firms taking cash payments for investments; leasing organizations; insurance organizations; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery prizes or gaming entities; charitable foundations; and, pawnshops

Number of STRs received and time frame: 12,551 in 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010

Convictions: None in 2010

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

In June 2010, Turkmenistan became a member of Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force (FATF)-style regional body. Turkmenistan had its first mutual evaluation in November 2010. Once adopted, the evaluation report will be available here: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On June 25, 2010 the FATF moved Turkmenistan from the Public Statement List, which includes countries with the worst AML/CFT records, to the list of those countries which have demonstrated political will and have adopted action plans to improve their AML/CFT regimes.

In May 2009, the government adopted a law “On Combating the Legalization of Criminal Proceeds and the Financing of Terrorism” (AML/CFT Law). In January 2010, the government established a financial intelligence unit under the Ministry of Finance to strengthen its anti-money laundering efforts. However, the FIU lacks sufficient autonomy, resources and capacity to function effectively and to ensure all covered entities are aware of their responsibilities under the law, including the requirement to report suspicious transactions, ensure proper customer identification and conform to international standards. The government does not provide the necessary training and capacity building to government entities with supervisory, investigative and prosecutorial responsibilities.

Foreign embassies provide terrorist financing information regarding UN and U.S.-designated individuals and organizations subject to asset forfeiture to the Ministry of Foreign Affairs (MFA). The MFA reports that it distributes such information to the Ministry of Finance, the Ministry of National Security, the Ministry of Internal Affairs, and other concerned agencies. It is not clear whether financial institutions receive the information. There have been no reports of arrests, prosecutions or convictions for money laundering or terrorist financing during 2010.

Amendments and addenda put into the Criminal Code on May 14, 2010 include the criminalization of terrorist financing. While laws exist, the government does not have an independent national system or mechanism for freezing terrorist assets. There are no reports that authorities identified, froze, seized, and forfeited assets related to terrorist financing in 2010.

Turks and Caicos

The Turks and Caicos Islands (TCI) is a United Kingdom (UK) overseas territory with a population of approximately 36,000. The economy depends greatly on tourism and its offshore financial sector. Financial services contributed almost 30 percent of GDP. The TCI is vulnerable to money laundering due to its significant offshore financial services sector and notable deficiencies in its anti-money laundering/counter-terrorist financing (AML/CFT) regime. The country’s geographic location has made it a transshipment point for narcotics traffickers.

The TCI’s well developed financial sector is comprised, as of October 2010, of nine banks; seven money remitters, 18 professional trustees, six securities firms, and 4,972 insurance companies. As of March 2010, 706 “exempt companies” or International Business Companies (IBCs) were of record with the Companies Registry. Trust legislation allows establishment of asset protection trusts insulating assets from civil adjudication by foreign governments; however, the Superintendent of Trustees has investigative powers and may assist overseas regulators. As such, TCI remains something of a tax haven for foreign criminals seeking to evade domestic tax reporting requirements. The country also has two legal casinos.

The Financial Services Commission (FSC) licenses and supervises banks, money transmitters, mutual funds and funds administrators, investment dealers, trust companies, insurance companies and agents, company service providers and designated non-financial businesses. It also licenses IBCs and acts as the Company Registry for the TCI.

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In August 2009, the UK government suspended the authority of the TCI government after serious allegations of corruption, and TCI is now ruled directly by the UK government through the Governor.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

Number of STRs received and time frame: 58 in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Three in 2010

Convictions: Two in 2010

Assets forfeited: criminally: 0 *civilly:* 0

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

TCI is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation cannot be found on the CFATF website. Its most recent mutual evaluation report can be found at: http://www.cfatf-gafic.org/downloadables/mer/Turks_and_Caicos_Islands_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

No formal exchange mechanism exists between the U.S. and TCI, although TCI cooperates readily with foreign governments. TCI is subject to the US/UK Extradition Treaty.

The Proceeds of Crime (Amendment) Ordinance, 2010 came into force on May 24, 2010. The Ordinance improves record keeping and STR reporting, and strengthens due diligence requirements. However, deficiencies remain, including weaknesses in: determining beneficial ownership of legal persons or legal arrangements; cross-border currency controls; and effective dissemination of designated terrorists lists. The Counter-Terrorism (Terrorist Financing, Money Laundering and Certain Other Activities: Financial Restrictions) (Turks and Caicos Islands) Order, 2010 came into force on March 18, 2010. This Order was extended to the Turks and Caicos Islands by the United Kingdom and, among other things, improves STR reporting for suspected terrorist financing activity and enhances the regulatory regime. The Financial Services ((Financial Penalties) Regulations, 2010 have been signed and published and took effect on October 29, 2010. A new AML/CFT Code has been drafted and is expected to be enacted shortly.

TCI is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the TCI's international affairs and may arrange for the ratification of any convention to be extended to the TCI. The 1988 Drug Convention was extended to the TCI in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime (UNTOC) have not yet been extended to the TCI. The UNTOC has been implemented in the Turks and Caicos Islands by various Orders in Council which were made in the UK and have legislative effect in the Turks and Caicos Islands.

Authorities should issue and implement the draft AML/CFT Code. The responsibilities of DNFBPs to report and conform to AML/CFT regulations should be more clearly articulated, in particular for casinos. TCI should consider implementing domestic provisions which allow for the enforcement of foreign restraining and confiscation orders, and the sharing of assets confiscated as a result of such cooperation. While this occurs in practice, having a formal system in place would ease such actions.

Uganda

Uganda is not a major hub for narcotics trafficking or terrorist financing, but it is a growing site for money laundering. Ugandan efforts to combat money laundering are hampered by the continued absence of comprehensive anti-money laundering legislation, severe resource constraints, and internal government corruption. Counterfeit U.S. currency is a recurring problem. Uganda's inability to monitor formal and informal financial transactions, particularly along porous borders with Sudan, Kenya, Tanzania, and the Democratic Republic of Congo render Uganda vulnerable to more advanced money laundering activities and potential terrorist financing. Money laundering in Uganda derives from a wide range of activities, including government corruption, misappropriation of public funds and foreign assistance, abuse of the public procurement process, abuse of religious charities, land speculation, car theft, arms and natural resource smuggling, and exchange control violations. Uganda's active informal economy also provides a fertile environment for money laundering as Uganda's black market for smuggled and counterfeit goods takes advantage of porous borders and lack of customs and tax collection enforcement capacity.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not applicable

Legal persons covered: *criminally:* NO *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, finance companies and microfinance institutions, foreign exchange bureaus, insurance companies and the securities sector

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, finance companies and microfinance institutions, foreign exchange bureaus, insurance companies and the securities sector

Number of STRs received and time frame: 80 reports in 2010

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: NO

Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation report can be found here: http://www.esaamlg.org/userfiles/UGANDA_MER1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uganda has not criminalized money laundering. The Uganda Anti-Money Laundering Committee (UAMLC), comprised of multiple Ugandan government ministries and chaired by the Bank of Uganda (BOU), has worked with advisors to draft a comprehensive anti-money laundering (AML) bill based on international standards. The UAMLC completed the draft AML bill in 2003, and Cabinet approved the bill in January 2005. The draft legislation was submitted to Parliament in 2009 and has not come up for a vote.

Current efforts to combat money-laundering are piecemeal and based on other legislation such as the Anti-Terrorist Act of 2002 and the Financial Institutions Act of 2004. The Anti-Terrorist Act makes terrorist financing illegal, but does not place it in the overarching framework of money laundering, and

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there is no evidence that it has been used to effectively prosecute financiers of terrorism. There is no suspicious transaction reporting requirement for terrorist financing under this act.

The Financial Institutions Act provides the BOU with the ability to freeze accounts they believe hold funds which are the proceeds of crime, but does not provide procedures for releasing funds or forfeiture. It also gives the BOU authority to set know-your-customer and suspicious transaction reporting requirements for financial institutions, foreign exchange bureaus, and deposit-taking microfinance institutions. However, reporting procedures remain unclear and insufficient whistleblower protection limit the efficacy of these regulations. The Insurance Commission and Capital Markets Authority also have know-your-customer and suspicious transaction reporting guidelines for their regulated entities, but no firm regulations.

The Criminal Investigations Department (CID) of the Ugandan Police Force is responsible for investigating financial crimes. However, until Parliament approves the AML legislation, the CID maintains only limited authority to investigate and prosecute money laundering violations. The CID is understaffed and lacks adequate training in financial investigation techniques related to AML and terrorist financing. Internal corruption within the CID also hampers police investigative capacity. According to GOU officials, criminals often have access to technology that is more sophisticated than what is available to police investigators. The Inspectorate General of Government has the power to investigate cases brought to it by the public, but in practice has not investigated AML and terrorist financing cases.

Many Ugandans working abroad use an informal cash-based remittance system to send money to their families. Annual remittances are Uganda's largest single source of foreign currency and totaled \$414 million in 2008/2009. Remittances are used primarily for consumption purchases.

Counterfeit U.S. currency is a problem. In one common counterfeit scheme, counterfeiters sell fake U.S. currency marked or "masked" by black ink or a special stamp. The seller offers this currency at a discount because of the markings, and claims the bills can be exchanged or "unmasked" at a U.S. embassy or bank. In mid-2008 in eastern Uganda, police arrested an individual in possession of more than \$1 million in counterfeit U.S. currency. Highlighting Uganda's unwillingness to crack down on counterfeiters in cases involving well-connected individuals, police subsequently released the individual from custody, and he later disappeared.

The Government of Uganda should become a party to the UN Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime.

Ukraine

In Ukraine, high risks of money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources market. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; and tax evasion. Various laundering methodologies are used, including real estate, insurance, bulk cash smuggling, and through financial institutions. There is a significant market for smuggled goods and a large informal financial sector. These activities are linked to the evasion of taxes and customs duties.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:

<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, non-bank financial institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawnshops, mail service operators and other money transfer services, real estate traders, certain traders of precious metals and stones, notaries, auditors, lawyers and leasing providers

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, non-bank financial institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawnshops, mail service operators and other money transfer services, real estate traders, certain traders of precious metals and stones, notaries, auditors, lawyers, and leasing providers

Number of STRs received and time frame: See below

Number of CTRs received and time frame: 728,799 in 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 48 from January 1 to April 1, 2010

Assets forfeited: criminally: \$94 million in 2009 civilly: Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Ukraine is member of MONEYVAL, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/Evaluation_reports_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On May 18, 2010, Ukraine's Parliament passed amendments to Ukraine’s anti-money laundering/ counter-terrorist financing (AML/CFT) legislation. The amendments are a significant step forward. The new legislation replaces and significantly improves Ukraine’s basic AML/CFT Law, and amends relevant portions of the criminal code to bring them into greater compliance with international standards. Among other improvements, the May 18, 2010 amendments require enhanced due diligence procedures for PEPs.

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However, the procedure of informing primary financial monitoring agencies about the list of foreign PEPs is yet to be developed.

While it does not appear that significant narcotic proceeds are laundered through Ukraine's financial institutions, the rise of cybercrime and related transnational organized crime would suggest that significant amounts of U.S. currency are diverted to this region.

Through their regulatory agencies, banks and non-bank financial services receive the U.S. designations of suspected terrorists and terrorist organizations under Executive Order 13224 and other U.S. authorities and are instructed to report any transactions involving designated individuals or entities. According to the new anti-money laundering law, the financial institution or FIU has the power to suspend suspicious transactions for a limited amount of time (up to 14 days). Afterwards, assets may only continue to be held if law enforcement bodies initiate a criminal case or if it can be established that the assets are related to terrorist activity, in which case they can be held indefinitely. The need to initiate criminal cases might provoke serious delays that would allow the assets to be transferred before action could be taken to freeze the accounts. Draft legislation will address additional details of terrorist assets freezing, such as an enhanced definition of terrorist assets, procedures for seizing assets of individuals designated on international terrorist lists; and the procedural prerequisites to seizing terrorist assets.

While Ukraine has signed and ratified the necessary treaties, in many instances they are not applied or are applied poorly. Furthermore, while Ukraine is a party to UNCAC and UNTOC, the provisions of these conventions are not implemented or are not working properly in Ukraine.

Ukraine has remained on the FATF list of countries with "strategic deficiencies" since February 2010. The remaining deficiencies include poor terrorist asset freezing provisions, inadequate criminalization of market manipulation and insider trading, and the absence of corporate criminal liability for terrorist financing. Ukraine also lacks any functional regime for locating or seizing forfeitable assets.

Although, the current legislation does not provide for autonomous prosecution of money laundering, Ukraine continues to take measures to improve it. There were two cases of autonomous investigations and prosecutions of money laundering. Ukraine should place additional emphasis on developing these capabilities.

Most importantly, while Ukraine's legislation has been significantly modernized, Ukraine lacks examples of successful prosecutions of money laundering. This is due to the lack of specialized expertise among prosecutors in handling complex financial cases, corruption within law enforcement and the courts, and poor coordination among prosecutors, investigators, and the FIU. Ukraine has taken steps to improve the technical expertise of the Prosecutor General's Office through training of its law enforcement and prosecutors. This training should be continually developed, placing an emphasis on the systematic use of financial investigations, the use of existing tools and investigative techniques, analysis and use of computer techniques, and by providing relevant guidance.

United Arab Emirates

The United Arab Emirates (UAE) is an important financial center in the Middle East region. Dubai, in particular, is a major international banking and trading center. The country also has a growing offshore financial center and 38 free trade zones. The UAE's robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country susceptible to money laundering activities. The UAE also is vulnerable to money laundering due to its geographic location as the primary transportation and trading hub for the Persian Gulf States, East Africa, and South Asia; longstanding trade relations with Iran; its expanding trade ties

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with the countries of the former Soviet Union; and lagging relative transparency in its corporate environment.

The potential for money laundering is exacerbated by the large number of resident expatriates (roughly 80 - 85 percent of total population) who send remittances to their homelands. Given the country's proximity to Afghanistan, where most of the world's opium is produced, narcotics traffickers are increasingly reported to be attracted to the UAE's financial and trade centers. Other money laundering vulnerabilities in the UAE include cash couriers, hawala, trade based money laundering, smuggling, the real estate sector, and the misuse of the international gold and diamond trade.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civily:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, money exchange houses, finance companies, and any other financial institutions operating in the UAE

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, money exchange houses, finance companies, and any other financial institutions operating in the UAE

Number of STRs received and time frame: 2,711

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civily:* Not applicable

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

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The United Arab Emirates is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.menafatf.org/images/UploadFiles/UAEOptimized.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE has shown some progress in enhancing its AML/CFT program. In August 2009, the Central Bank issued a circular instructing local banks not to handle accounts belonging to politically exposed persons (PEPs). Information sharing between the UAE's financial intelligence unit (FIU), the Anti-Money Laundering and Suspicious Cases Unit (AMLSCU), and some foreign FIUs has substantially improved.

Several areas requiring further action by the UAE Government (UAEG) remain. The UAE should increase the capacity and resources it devotes to investigation of AML/CFT both federally at the AMLSCU and at emirate-level law enforcement. AMLSCU needs to improve its timely financial information sharing capability to conform to international standards. Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as require - and enforce - outbound declarations of cash and gold utilizing existing smuggling laws. Currently the law only requires the disclosure of inbound cash above the delineated threshold.

Although UAE legislation includes a provision prohibiting "tipping off," the provision is very narrow and does not appear to address the disclosure of STR filings to third parties. Additionally, the Central Bank regulations appear to require institutions to notify customers of suspicions regarding their accounts. This would appear to contradict any "tipping off" prohibitions.

All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the misuse of trade to launder narcotics proceeds. The UAEG should expand follow-up with financial institutions and the Ministry of Social Affairs regarding regulations on charities to ensure their registration at the federal level. The UAE should also continue its regional efforts to promote sound charitable oversight. The cooperation between the Central Bank and the offshore Dubai Financial Services Authority (DFSA) needs improvement, with lines of authority clarified. Moreover, the absence of meaningful statistics across all sectors is a significant hindrance to the assessment of the effectiveness of the AML/CFT program.

United Kingdom

The United Kingdom (UK) plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system, as banks and mainstream financial institutions have tightened their controls and increased their vigilance. The use of *bureau de change*, cash smugglers (into and out of the UK), and traditional gatekeepers (including solicitors and accountants) to move and launder criminal proceeds has been increasing. Also on the rise are credit/debit card fraud, use of the internet for fraud, and the purchasing of high-value assets to disguise illegally obtained money. A July 2009 Home Office report estimates that the total cost of the economic and social harm caused to the UK by serious organized crime is around GBP 68.4 billion (approximately \$107.75 billion) per year.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial and credit institutions, independent legal professionals, auditors, accountants, tax advisors, auditors, insolvency practitioners, estate agents, casinos, high value goods dealers, and trust or company service providers

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial and credit institutions, independent legal professionals, auditors, accountants, tax advisors, auditors, insolvency practitioners, estate agents, casinos, high value goods dealers, and trust or company service providers

Number of STRs received and time frame: 240,582 (October 1, 2009 – September 30, 2010)

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The United Kingdom is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: www.fatf-gafi.org/dataoecd/44/8/44048060.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The United Kingdom has a comprehensive range of anti-money laundering/countering the financing of terrorism (AML/CFT) laws. It is an active participant in multilateral efforts to meet AML/CFT threats.

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The UK engages in efforts to freeze the assets of persons who commit terrorist acts, as required by the United Nations. In January 2010, the United Kingdom Supreme Court held that the government had earlier exceeded its authority by imposing asset freezing orders that went beyond the requirements of Security Council Resolution 1373. The Supreme Court reinstated temporary asset freezing regulations as an interim measure following the judgment. In December 2010, the United Kingdom replaced the temporary provisions with a new legislative framework that raises the burden of proof for freezing assets from “reasonable suspicion” to “reasonable belief”.

Uruguay

Uruguay remains vulnerable to the threats of money laundering (ML) and terrorist financing (TF). Uruguay has a highly dollarized economy with about 80 percent of deposits and 70 percent of credits denominated in U.S. dollars. The U.S. dollar is often used as a business currency and many goods and services, including real estate and vehicles, are quoted and sold in dollars. Officials from the Uruguayan police and judiciary assess that there is a growing presence of Mexican and Colombian criminal organizations in the Southern Cone and are concerned they could begin operating in Uruguay. Drug dealers are slowly starting to participate in other illicit activities like car theft and trafficking in persons. The Government of Uruguay (GOU) acknowledges there is a growing risk of money laundering in the real estate sector, in free zones and in bureaus that administer corporations, and in late 2010, passed a decree to improve controls in those areas.

The vast majority of money laundering cases that have become public have been related to drugs. Uruguay has porous borders with Argentina and Brazil, and there is a market for smuggled goods that is greatly determined by price differentials between Uruguay and its neighbors. Trade-based money laundering is likely to occur but specialists do not identify it as a major source of risk. The six offshore banks operating in Uruguay are subject to the same laws, regulations, and controls as local banks, with the GOU requiring they be licensed through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the Central Bank, and any share transactions must be authorized by the Central Bank.

There are 13 free trade zones (FTZs) located throughout the country. While most are dedicated solely to warehousing, two were created exclusively for the development of the paper and pulp industry, and three accommodate a wide variety of tenants offering a wide range of services, including financial services. Some of the warehouse-style FTZs have been used as transit points for containers of counterfeit goods bound for Brazil and Paraguay. A decree passed in November 2010 discourages shell companies from establishing a presence in FTZs.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: NO civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other non-banking professionals that carry out financial transactions or manage commercial companies on behalf of third parties

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art and precious metals or stones; FTZ operators; and natural or judicial persons who carry out transactions or administer corporations on behalf of third parties

Number of STRs received and time frame: 195 - January 1–December 16, 2010

Number of CTRs received and time frame: One - January 1–December 16, 2010

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four in 2009

Convictions: Five in 2009

Assets forfeited: *criminally:* Not available *civilly:* Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

The GOU is a member of the Organization of American States Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering. Uruguay is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/pdf/InformeEMUruguay09.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uruguay has significantly upgraded its anti-money laundering legislation in recent years and improved its enforcement actions. Law 18.494, passed in 2009, gives national authorities more flexibility to fight money laundering and terrorist financing, and Decree 226/10, passed in December 2010, includes detailed provisions for non-financial sector entities obliged to report suspicious transactions. Decree 226/10 stipulates risk-based customer due diligence (CDD) procedures, sets *de minimis* procedures, and establishes CDD thresholds in specific activities: casinos (over \$3,000), and art dealers and auctioneers (over \$15,000). The decree also provides for enhanced due diligence (EDD) for high risk customers, such as those involving non-residents from countries that fail to apply international standards. Real estate brokers must apply EDD procedures in transactions over \$15,000 and notaries and auctioneers must apply them in transactions over \$200,000 (or over \$100,000 in cash). While Decree 226/10 does not distinguish

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between local and foreign PEPs, it appears to be focused on locals. A list of about 5,000 local PEPs is available on the Central Banks' website.

Decree 226/010 mandates obligated entities to establish internal procedures that would enable them to detect goods or transactions related to individuals or terrorist organizations included in the UN list. The financial intelligence unit publishes the UN 1267 Sanctions Committee list on its website but does not distribute it to financial institutions. It does not send the USG lists of terrorists to financial institutions but includes them in its database and runs name checks against it. There have been no reported cases or investigations related to terrorist financing.

In 2010 Uruguay joined the Egmont Group of Financial Intelligence Units. Tax evasion is not an offense in Uruguay, which limits cooperation possibilities because the financial intelligence unit cannot share tax-related information with its regional counterparts.

In an ongoing high-profile case, 14 people were indicted in September 2006 for a money laundering charge tied to the largest cocaine seizure in Uruguay at that time; in June 2008 the kingpin was convicted and in November 2009 five individuals, including a well known attorney, were prosecuted. Through 2009 the GOU had frozen assets totaling \$20 million, of which \$17 million were frozen in 2009 alone. The Anti-Money Laundering Secretariat seeks to create awareness about the importance of seizing assets as well as imprisoning criminals.

Uzbekistan

Uzbekistan is not an important regional financial center and does not have a well-developed financial system. A significant percentage of the country's GDP comes from remittances abroad, posing a money laundering vulnerability. Corruption, especially in relation to natural resources, narcotics trafficking and smuggling generate the majority of illicit proceeds. Local and regional drug trafficking and organized crime groups control the flow of narcotics and proceeds from other criminal activities, such as smuggling of cash, high-value transferable assets (e.g., gold), property, or automobiles. Uzbekistan has a significant black market for smuggled goods. This black market does not appear to be significantly funded by narcotics proceeds but can be used to launder drug-related money. In April 2009, the government of Uzbekistan passed legislation to reestablish an anti-money laundering regime that had been suspended by Presidential decree in 2007.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* NO *civilly:* NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>.

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, credit unions, micro-credit institutions, securities brokers, members of the stock exchange, insurance brokers, leasing companies, money transfer companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, lotteries

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, credit unions, micro-credit institutions, securities brokers, members of the stock exchange, insurance brokers, leasing companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors

Number of STRs received and time frame: 4,125 - November 2009 to April 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 42 - January to November 2009

Convictions: Eight, covering 97 individuals - January to November 2009

Assets forfeited: criminally: 725 million UZS (approximately \$500,000) in 2009 **civilly:** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://eurasiangroup.org/mers.php>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uzbekistan's legal system is generally susceptible to corruption and political influence. Legislation to reestablish AML measures has been adopted piecemeal since April 2009, leading to confusion from vague requirements, incomplete procedures, and occasional conflicts with banking regulations. The short time period since reimplementation makes it difficult to evaluate the effectiveness and adaptability of the system, and government secrecy surrounding cases and statistics inhibits evaluation. The Prosecutor General's Office attempts to maintain secrecy by not releasing the criteria for identifying suspicious transactions, even to banks. Fearing the consequences of not reporting criminal activity, banks have adopted excessively cautious policies that lead to significant over-reporting.

Ambiguities in the law make it difficult to determine the division of authority among the Prosecutor General's Office and other law enforcement bodies in money laundering cases. Aside from the Financial Intelligence Unit (FIU), the Ministry of Internal Affairs and the National Security Service also investigate money laundering and terrorist financing, respectively, and both are making efforts to build financial crime departments.

The ability to freeze assets is limited; financial institutions can hold suspicious transactions for three business days, and the FIU can extend that by two days. After five business days the transaction must be

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resumed unless the assets can be seized as the result of a criminal case, leaving a very narrow window for investigation. The porous borders also allow for cash to exit Uzbekistan into neighboring countries.

Vanuatu

Vanuatu is not a regional financial center, and there are no free trade zones. Although its overall economy is primarily based in agriculture, Vanuatu's robust offshore banking sector and history of strict bank secrecy provisions make it vulnerable to money laundering. The offshore banking sector includes eight international banks, 3,600 international business companies, along with offshore trusts and captive insurance companies.

The Reserve Bank of Vanuatu (RBV) regulates the offshore banking sector and in recent years has strengthened domestic and offshore financial regulation in response to international pressure citing higher potential for money laundering. Shell banks are banned.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, insurance companies, securities companies, foreign exchange instrument dealers, money remittance dealers, casinos, lawyers, accountants, trust and company service providers, auditors, real estate agents, and car dealerships

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, insurance companies, securities companies, foreign exchange instrument dealers, money remittance dealers, casinos, lawyers, accountants, trust and company service providers, auditors, real estate agents, and car dealerships

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: criminally: Not available civilly: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Vanuatu is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here:

http://www.apgml.org/documents/docs/17/Vanuatu%20ME2%20_Final_.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Vanuatu (GOV) should continue to initiate outreach to all reporting institutions regarding CDD obligations, as well as establish legislative requirements for financial institutions to have policies and procedures to address risks arising from new or developing technologies and non-face-to-face businesses, in particular internet accounts.

Financial institutions are required to immediately freeze the accounts of entities involved in terrorism. However, communication between government agencies about the identity of terrorist entities is uncoordinated. The GOV should ensure the appropriate agencies and offices receive the updated UNSCR 1267 lists in a timely manner.

The Attorney General possesses the authority to grant requests for international assistance in a criminal matter, and may require government agencies to assist in the collection of information pursuant to the request. Money laundering is an extraditable offense, but the GOV does not recognize or enforce foreign non-criminal confiscation orders.

Vanuatu should become a party to the UN Convention against Corruption.

Venezuela

Venezuela is one of the principal drug-transit countries in the Western Hemisphere. Cocaine produced in Colombia is trafficked through Venezuela to the Eastern Caribbean, Central America, the United States, Europe, and western Africa. In 2010, Mexican drug trafficking organizations gained an increased presence in Venezuela. Venezuela's proximity to drug producing countries, weaknesses in its anti-money laundering regime, limited bilateral cooperation, and alleged substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable to money laundering. The main sources of money laundering are proceeds generated by drug trafficking organizations and illegal transactions that exploit Venezuela's currency controls and its various exchange rates.

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate (in the tourist industry), agriculture and livestock businesses, securities transactions, and trade in precious metals. Venezuela is not a regional financial center and does not have an offshore financial sector, although many local banks have offshore affiliates in the Caribbean. Trade-based money laundering, such as the black market peso exchange, through which money launderers furnish narcotics-generated dollars in the United States to commercial smugglers, travel agents, investors, and others in exchange for Colombian pesos, remains a prominent method for laundering regional narcotics proceeds. It is reported that many black market traders ship their goods through Margarita Island's free port.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF

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US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: ***criminally:*** YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: NO

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: The Fund of Deposit Guaranty and Bank Protection; universal, commercial, mortgage, investment, and development banks; representative offices of foreign banks; leasing financiers; money market funds; savings and loan entities; exchange houses; foreign exchange operators; credit card issuers; societies and funds of reciprocal guaranties; municipal institutes or credit businesses; insurance companies; casinos; real estate agents; construction companies; car dealerships; hotels, travel agents, and the tourism industry; and dealers in precious metals and stones

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: The Fund of Deposit Guaranty and Bank Protection, banks, leasing financiers, money market funds, savings and loan entities, exchange houses, financial groups, frontier exchange operators, credit card issuers, societies and funds of reciprocal guaranties, municipal institutes or businesses of credit, funds and societies of capital risk, representative offices of foreign banks, insurance and reinsurance companies, casinos, real estate agents, construction companies, car dealerships, hotels and the tourism industry, travel agents, and dealers in precious metals and stones

Number of STRs received and time frame: 1,086 through October 31, 2010

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Ten 2006-2010

Convictions: Seven 2006-2010

Assets forfeited: ***criminally:*** Not available ***civilly:*** Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://cfatfgafic.org/downloadables/mer/Venezuela_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is little evidence the Government of Venezuela (GOV) has made enforcement of anti-money laundering laws and regulations a priority. Reportedly, many, if not most, judicial and law enforcement officials remain ignorant of anti-money laundering countermeasures. Additionally, although the law includes many financial institutions and designated non-financial businesses and professions as covered entities, no implementing regulations have been developed and, in practice, the majority of entities are not subject to mandatory reporting and customer due diligence requirements. The insurance and securities sectors and the Venezuelan Association of Currency Exchange Houses, which counts all but one of the country's money exchange companies among its membership, voluntarily comply with the STR reporting requirements.

In 2010, the FATF identified Venezuela as a country with strategic anti-money laundering and counter-terrorist financing (AML/CFT) deficiencies. The resulting action plan includes adequately criminalizing terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; ensuring a fully operational and effectively functioning financial intelligence unit; implementing adequate customer due diligence guidelines for all sectors, including the securities sector; and establishing adequate STR reporting obligations for money laundering and terrorist financing.

Corruption is a very serious problem in Venezuela and appears to be worsening. Transparency International's Corruption Perception Index for 2010 ranks Venezuela at 164 of 178 countries on the index. Venezuela has laws to prevent and prosecute corruption, and accepting a bribe is a criminal act. However, the judicial system has been ineffective historically and is accused of being overtly politicized. The current regime of price and foreign exchange controls also has provided opportunities for corruption. Trade-based money laundering and value transfer is a significant problem in Venezuela. In March 2010, 16 individuals were indicted in Miami on charges of conspiracy to launder narcotics proceeds. The case involved trade-based money laundering focused on Venezuela.

Venezuela and the United States signed a Mutual Legal Assistance Treaty (MLAT) in 1997. The Financial Crimes Enforcement Network (FinCEN) suspended the exchange of information with Venezuela's National Financial Intelligence Unit (UNIF) in January 2007 due to the unauthorized disclosure of information provided by FinCEN, and the relationship has not resumed to date. In 2009 and 2010, there was no money laundering information exchange between Venezuela and the United States.

Vietnam

Vietnam is not an important regional financial center, but is a site of significant money laundering activities. Vietnam has a largely cash-based economy, with both U.S. dollars and gold widely used as a means of exchange and stored value. The main sources of illicit funds in Vietnam are public corruption, fraud, gambling, prostitution, trafficking and counterfeiting of fake goods, and trafficking in narcotics, women, and children. Remittances from the proceeds of narcotics trafficking in Canada and the United States are also a significant source of money laundering, as are narcotics proceeds from traffickers using Vietnam as a transit country.

Vietnam's banking sector is in transition from a state-owned to a partially-privatized industry. At present, about 55 percent of the assets of the banking system are held by state-owned commercial banks that allocate much of the available credit to state-owned enterprises, many of which are related through interlocking directorates. Almost all trade and investment receipts and expenditures are processed by the banking system, but transactions are not monitored effectively. As a result, the banking system could be used for money laundering through false declarations, including phony investment transactions and over- or under-invoicing exports and imports.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* NO *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, non-bank financial institutions, lawyers and legal consultancy companies; games of chance, casinos or lotteries; promoters; real estate trading service companies; and traders in gold, silver and precious stones

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Credit institutions, money changers, remittance agents, insurance, securities dealers, casinos and games of chance

Number of STRs received and time frame: 290 STRs (2009 through first quarter 2010)

Number of CTRs received and time frame: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: None

Assets forfeited: *criminally:* None *civilly:* None

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Vietnam is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:
<http://www.apgml.org/documents/docs/17/Vietnam%20ME1.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2010, the Government of Vietnam made a high-level political commitment to work with the FATF to address its strategic AML/CFT deficiencies. Vietnam committed to implementing an action plan

that will adequately criminalize money laundering and terrorist financing, establish adequate procedures to identify and freeze terrorist assets, improve the AML/CFT supervisory framework, enhance customer due diligence and reporting, and strengthen international cooperation. A comprehensive anti-money laundering law, intended to address significant AML/CFT deficiencies, has been drafted and is to be submitted to the legislature by the end of 2011, with the object of enactment by 2012 in accordance with the action plan. Vietnam should also complete drafting its anti-terrorism law and adopt it by 2012 and promulgate regulations to fully implement its 2005 Decree on the Prevention and Combating of Money Laundering. It should also become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

The amended AML provisions of the Penal Code took effect on January 1, 2010. Article 251 now defines “money laundering crime” as an independent offense. Article 250 defines the offense of harboring (acquiring, concealing, etc.) or consuming property obtained from the commission of crimes against others. Covered acts under the article include some forms of money-laundering. Article 251 does not meet current international standards; among other weaknesses, the law requires a very high burden of proof (essentially, a confession) to pursue money laundering allegations, so prosecutions are non-existent and international cooperation is extremely difficult. Additionally, legal persons are not subject to criminal liability under the Penal Code. Vietnam is not considering a change because of perceived conflicts with fundamental principles of domestic law.

AML Decree 74 on Preventing and Combating of Money Laundering (Decree 74) specifies STR obligations, but in practice, the Anti-Money Laundering Department (AMLDD) of the State Bank of Vietnam (SBV) receives and processes little of the financial information required by Decree 74. All STRs are received in paper form; the AMLDD lacks an electronic information reporting system, limiting its ability to collect, store, and analyze financial transactions. Vietnam should provide the AMLDD with such a system, and give its law enforcement authorities the necessary resources to investigate and prosecute money laundering, trade fraud, and financial crimes in Vietnam’s informal economy. Decree 74 regulates customer identification and the collection of customer details and documents. It does not explicitly require verification of a customer’s identity, unless the financial institution becomes “suspicious.” Also, there are no legislative or other enforceable obligations that address politically exposed person (PEP) requirements. The concept of “politically exposed persons” is not well understood and no official document defines it.

There is no known exchange of records pursuant to any inter-governmental exchange mechanism, despite Vietnam’s 28 bilateral mutual legal assistance treaties. The Ministry of Public Security (MPS) signed a nonbinding memorandum of understanding with the U.S. Drug Enforcement Administration (DEA) in 2006 to strengthen law enforcement cooperation in combating transnational drug-related crimes, including money laundering. MPS claims, however, that it cannot provide such information due to constraints within the Vietnamese legal system.

Vietnam does not have a comprehensive system for implementing UNSCR 1267 or 1373 and lacks a system for freezing terrorist assets in accordance with these resolutions. While Vietnam has criminalized terrorist financing, it is not criminalized as an autonomous offense.

Yemen

The financial system in Yemen is not well developed, and Yemen remains relatively isolated from the global financial community. Alternative remittance systems, such as hawala, are not subject to scrutiny and are vulnerable to money laundering and other financial abuses—including possible terrorist financing. Yemen has a large underground economy due, in part, to the profitability of the smuggling of trade goods and contraband. The use of khat, a recreational drug produced from a bush grown in parts of East Africa

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and Arabia, is common in Yemen, and there have been a number of investigations of khat being smuggled from Yemen and East Africa into the United States with profits laundered and repatriated via hawala networks. Money laundering within Yemen, however, is not primarily related to proceeds from illegal narcotics. Instead, criminal proceeds in Yemen tend to emanate from foreign criminal activity, including smuggling by criminal networks, and, possibly, terrorist groups operating locally, although the extent is unknown. Smuggling and piracy are common along Yemen's sea border with Oman, across the Red Sea from the Horn of Africa, and along the land border with Saudi Arabia.

Yemen does not have an offshore financial center, but does have one free trade zone (FTZ) in the port city of Aden. Identification requirements within the FTZ are enforced. Truckers must file the necessary paperwork in relevant trucking company offices and must wear ID badges. FTZ employees must undergo background checks by police, the Customs Authority and employers. There is no evidence that the FTZ is being used for trade-based money laundering or terrorist financing schemes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

CRIMINALIZATION OF TERRORIST FINANCING: YES

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Financial institutions that accept deposits, provide credit, engage in financial leasing, provide money transfers, exchange and convert currency, issue payment, finance mortgages, sell and purchase foreign currency, deal in securities, invest, manage securities, provide life insurance, and engage in other financial activities as decided by the Prime Minister

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Financial institutions that accept deposits, provide credit, engage in financial leasing, provide money transfers, exchange and convert currency, issue payment, finance mortgages, sell and purchase foreign currency, deal in securities, invest, manage securities, provide life insurance, and engage in other financial activities as decided by the Prime Minister

Number of STRs received and time frame: 35 in 2010

Number of CTRs received and time frame: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two

Convictions: None

Assets forfeited: *criminally:* \$5000 *civilly:* none

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Yemen is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body. Its most recent evaluation can be found here:

http://www.menafatf.org/images/UploadFiles/YEMEN_EN.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are approximately 448 registered money exchange businesses in Yemen, which serve primarily as currency exchangers in addition to performing funds transfer services. Money transfer businesses are required to register with the Central Bank of Yemen (CBY) and can open offices at multiple locations. The CBY has not performed examinations of the money exchange businesses for anti-money laundering/counter-terrorist financing (AML/CFT) compliance.

Yemen's financial intelligence unit (AMLIU) has only a few employees and uses the services of field inspectors from the CBY's Banking Supervision Department for some of the FIU duties. The AMLIU has no database and is not networked to other government data systems. Only a few STRs have been forwarded from the AMLIU to judicial authorities for investigation and possible prosecution. The U.S. Embassy in Sanaa routinely passes requests for information and assistance to the Government of Yemen concerning terrorist financing and other issues, but seldom receives responses.

On December 29, 2009, Yemen's Parliament passed an AML/CFT law. On January 17, 2010, the law acquired presidential approval, becoming Law No. 1 of 2010 (Law 1). Pending in parliamentary committee since November 2007, the law represents a major step forward in criminalizing money laundering and terrorist financing, and institutionalizing the ability of the Yemeni government to combat these crimes. Law 1 represents more comprehensive AML/CFT legislation to accommodate international standards. Law 1 expands the types of financial institutions the Yemeni government will monitor, to include hawaladars, jewelry shops, lawyers' associations, and real estate firms.

While Law 1 is a necessary first step in criminalizing money laundering and terrorist financing, the Yemeni government is now challenged with the implementation and enforcement of the law. The government needs to continue to develop an anti-money laundering regime that adheres to international standards. Banks and non-bank financial institutions should enhance their capacity to detect and report suspicious financial transactions to the FIU, including those related to terrorist financing.

Even with the new law, the AMLIU needs substantial improvement of its operational capacity to effectively fulfill its responsibilities. Among other measures: The Republic of Yemen Government (ROYG) needs to investigate the abuse of alternative remittance systems such as hawala networks with regard to money laundering and terrorist financing. Law enforcement and customs authorities also need to examine trade-based money laundering and customs fraud.

The ROYG has no institutionalized coordination for terrorism matters among the different ministries and has yet to implement steps listed under the UN international terrorism protocols, to which Yemen is a party. The ROYG lacks specific legislation with respect to forfeiture of the assets of those suspected of

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terrorism. Yemen has not applied UN mandated sanctions or frozen the assets of Sheikh Abdul Majid Zindani, who was added to the UN 1267 Sanctions Committee's consolidated list in February 2004. There is no information on whether Yemeni authorities have frozen, seized, or demanded forfeiture of other assets related to terrorist financing.

The ROYG should ratify the UN Convention against Transnational Organized Crime. Yemen is ranked 146 out of 178 countries surveyed in Transparency International's 2010 Corruption Perception Index.

Zambia

Zambia is not a major financial center. The proceeds of narcotics transactions and money derived from public corruption are the major sources of laundered money. Human trafficking is also a problem. Money laundering takes place in both the formal financial sector and the non-bank financial sector. Money launderers in Zambia have used structuring, currency exchanges, monetary instruments, gambling, under-valuing assets, front businesses, and non-financial institutions to launder their proceeds. Other means include securities, debit/credit cards, bulk cash smuggling, wire transfers, and false currency reporting. Further, some criminals use their proceeds to purchase luxury goods such as vehicles and real estate.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: YES

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Banks, and money exchanges and remitters

Enhanced due diligence procedures for PEPs: Foreign: NO ***Domestic:*** NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, money exchanges and remitters, securities dealers and pension funds, insurance companies, leasing companies

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

Assets forfeited: **criminally:** Not available **civilly:** 0

RECORDS EXCHANGE MECHANISM:

With U.S.: YES

With other governments/jurisdictions: YES

Zambia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2010, the Government of Zambia (GOZ) passed legislation creating a financial intelligence unit (FIU) independent from law enforcement agencies. The FIU has received little government funding and is not yet operational. The FIU has received some assistance from international donors and continues to look for capacity building and financial support. Like much of the Zambian government, authorities tasked with investigating and prosecuting financial crimes are hampered by a lack of resources and capacity.

In 2010, the major shareholder of Zambia's sixth largest bank was charged with money laundering in connection with an illegal ownership stake in the bank. The Bank of Zambia also intervened in the operations of the bank, removed senior management, and dissolved the equity holders' shares.

The Zambian government is currently developing a number of multi-facility economic zones that are similar to free trade zones.

The GOZ should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and official corruption. Regulation and enforcement in the financial sector are weak, mainly due to a lack of trained regulators and investigators and limited asset seizure authority. These deficiencies expose the country to money laundering abuses, but there are no data on the extent of money laundering in Zimbabwe. The exposure is greatest within the financial sector, which includes both formal and informal institutions. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Financial crime may also be magnified by opportunities to smuggle diamonds.

Anti-money laundering laws are sometimes abused for political purposes. More broadly, corruption sometimes impedes application of Zimbabwe's anti-money laundering mechanisms.

Nearly all transactions in Zimbabwe are now carried out with either the U.S. dollar or the South African rand. The Government of Zimbabwe's (GOZ) switch to this "multi-currency regime" dramatically reduced opportunities for money laundering and financial crime, thereby eliminating multiple exchange rates and opaque foreign-exchange controls. Of late, the parliamentary committee on mining has held officials to account for GOZ actions in the Marange diamond fields, and the minister of finance has implemented a new law to improve accountability at the Reserve Bank of Zimbabwe (RBZ).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

CRIMINALIZATION OF TERRORIST FINANCING:

Ability to freeze terrorist assets without delay: NO

UN lists of designated terrorists or terrorist entities distributed to financial institutions: YES

(Please refer to the Department of State’s Country Reports on Terrorism, which can be found here:
<http://www.state.gov/s/ct/rls/crt/>)

KNOW-YOUR-CUSTOMER RULES:

Covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, insurance companies, and finance houses

Enhanced due diligence procedures for PEPs: Foreign: NO *Domestic:* NO

SUSPICIOUS TRANSACTION REPORTING REQUIREMENTS:

Covered entities: Banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change* and cash dealers, insurance companies, finance houses, lawyers, accountants, pension funds, casinos, moneylenders, estate agents, import/export businesses, and trust management and service providers

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010

Convictions: None in 2010

Assets forfeited: criminally: None in 2010 *civilly:* None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: NO

With other governments/jurisdictions: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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Zimbabwe's law provides for freezing and forfeiture of assets, and the banking system can quickly freeze deposits. Law enforcement and regulatory agencies lack the resources to combat money laundering vigorously. For example, financial institutions typically receive information related to designations from private sources, not from government agencies. The capacity for broader freezing or forfeiture of terrorist assets is untested.

Zimbabwe does have broad legislation on mutual legal assistance in both civil and criminal cases, and there are no legal or practical impediments to rendering assistance, provided both Zimbabwe and the requesting country criminalize the activity.

The United States, Canada, Australia, and the European Union have imposed targeted financial sanctions and travel restrictions on political leaders and others believed to have been complicit in human rights abuses.